

File

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LISTING STATEMENT No. 2171

LISTED JULY 8, 1964
393,010 non-cumulative participating
Class B shares without par value,
of which 211,500 are subject to
issuance
Ticker abbreviation "SCCB"
Dial ticker number 2199
Post section 11

THE TORONTO STOCK EXCHANGE

LISTING STATEMENT

SECURITY CAPITAL CORPORATION
LIMITED

Incorporated under the Laws of the Province of Ontario
by Letters Patent dated April 26, 1962

CAPITALIZATION AS AT JUNE 9, 1964

SHARE CAPITAL	AUTHORIZED	ISSUED AND OUTSTANDING	RESERVED FOR ISSUE	TO BE LISTED
6% cumulative convertible redeemable Class A shares with a par value of \$20 each	11,076	11,076	N/A	none
Non-cumulative participating Class B shares without par value	2,019,990	181,510	211,500	393,010
Common shares without par value	22,699	9,315	N/A	none

Note: The number of Class B shares reserved for
issue includes 55,380 shares reserved for con-
version of Class A shares.
The conversion privileges attaching to the Class
A shares are described in Clause 8(7) of the
Statutory Information of the Prospectus.

FUNDED DEBT

(i) Long Term Secured Notes: 6½ % Sinking Fund Secured Notes Series I to be issued June 22, 1964 and maturing June 15, 1979	\$1,500,000	\$1,500,000	nil	nil
(ii) Short Term Secured Notes: Short Term Notes are authorized for issue and reference is made to Clause 9 of the Statutory Information of the Prospectus.				
(iii) Debenture Debt: 6¾ % Sinking Fund Debentures Series A maturing February 1, 1978	\$ 600,000	\$ 570,000	nil	nil
6¾ % Subordinated Sinking Fund Debentures 1963 Series maturing June 30, 1978	\$ 600,000	\$ 600,000	nil	nil

The Company is the beneficial owner of 500 common shares without par value in the capital of the Subsidiary, being all the issued and outstanding shares of the Subsidiary, which the Company acquired at a cost of \$1 per share. The Subsidiary was incorporated with an authorized capital of 1,000 shares without par value. The name of the Subsidiary was changed from Secor Capital Limited to Security Capital Corporation (Ontario) Limited by supplementary letters patent dated November 1, 1963. The Subsidiary is engaged in the business of purchasing and otherwise acquiring mortgages and other obligations secured on real property and, also, in making loans secured against real estate and in providing temporary short term funds for new construction in housing developments to be repaid from the proceeds of long term financing or a sale of the property. A description of the business of the Company and the Subsidiary is set forth on pages 2 and 3 of the Prospectus.

The Company proposes to subscribe for a possible total of 50,000 shares of the par value of \$10 each in the capital stock of Federal Savings and Loan Corporation (hereinafter called the "Corporation"), a corporation incorporated under the provisions of The Loan and Trust Corporations Act (Ontario) for an amount not exceeding \$550,000. The ownership of such shares if purchased, will constitute the Company the largest single shareholder of the Corporation, holding approximately 25% of the proposed outstanding capital stock, and Messrs. G. R. P. Bongard, Oscar Rechtshaffen and J. H. Morlock (directors of the Company) are directors of the Corporation. This relationship will enable the Company to offer the borrower a package loan for a higher amount than would ordinarily be available from an institutional first mortgage lender alone, and at a lower combined interest rate than would be required if the Company provided the entire mortgage. This package plan will enable the Company to compete with any loan plan presently offered.

FUNDED DEBT

Particulars of the funded debt of the Company are set forth in Clause 9 of the Statutory Information of the Prospectus. The Subsidiary has no funded debt.

AGREEMENTS RESPECTING UNISSUED SHARES

The Company has granted certain employees options to purchase Class B and/or common shares under agreements which are described in Clause 11 of the Statutory Information of the Prospectus.

Clause 11 also describes the Share Purchase Warrants Series A which were attached to the 6¾ % Sinking Fund Debentures Series A when originally issued in definitive form, the Share Purchase Warrants 1963 Series which were attached to the 6¾ % Subordinated Sinking Fund Debenture 1963 Series when originally issued in definitive form and the Share Purchase Warrants Series C which will be attached to the 6½ % Sinking Fund Secured Notes Series I when originally issued in definitive form.

The 6% cumulative convertible redeemable Class A shares with a par value of \$20 each are convertible up to March 30, 1967 at the option of the holders into Class B shares and common shares as set forth in Clause 8(7) of the Statutory Information of the Prospectus.

LISTING ON OTHER STOCK EXCHANGES

There are no securities of the Company or the Subsidiary listed on any other stock exchange and no application for listing has ever been made to any stock exchange.

STATUS UNDER SECURITIES ACTS

The Ontario Securities Commission issued its official receipt dated May 24, 1962 acknowledging receipt of the material required under The Securities Act (Ontario) in reference to the offering of 15,000 6% cumulative convertible redeemable Class A shares with a par value of \$20 each and 60,000 common shares without par value in the capital of the Company. Official receipts in respect of the same offering were also issued by:

- (a) The Alberta Securities Commission dated May 23, 1962 under Part IX of The Securities Act, 1955 (Alberta); and
- (b) The Winnipeg Stock Exchange dated May 30, 1962.

The Ontario Securities Commission issued its official receipt dated January 17, 1963, acknowledging receipt of the material required under The Securities Act (Ontario) in reference to the offering of \$600,000 principal amount of 6¾ % Sinking Fund Debentures Series A accompanied by Series A Share Purchase Warrants. Official receipts in respect of the same offering were also issued by:

- (a) The Quebec Securities Commission dated January 16, 1963 under the Quebec Securities Act;
- (b) The Albert Securities Commission dated January 16, 1963 under Part IX of The Securities Act, 1955 (Alberta);
- (c) The Winnipeg Stock Exchange dated January 18, 1963.

This prospectus is not, and under no circumstances is to be construed as, an offering of these Securities for sale in the United States of America or in the territories or possessions thereof.

NEW ISSUE

\$1,500,000

Security Capital Corporation Limited

(Incorporated under the Laws of the Province of Ontario)

6½% Sinking Fund Secured Notes Series I (to be accompanied by Class B Share Purchase Warrants)

To be dated June 22, 1964

To mature June 15, 1979

Principal, interest (December 15, 1964 and half-yearly on June 15 and December 15 thereafter) and redemption premium, if any, to be payable in lawful money of Canada at any branch in Canada of the Company's bankers. The 6½% Sinking Fund Secured Notes Series I (the "Series I Notes") to be issued in coupon form with provision for registration as to principal only, in denominations of \$500 and authorized multiples thereof and in fully registered form in denominations of \$1,000 and authorized multiples thereof; the different authorized forms and denominations to be interchangeable and to be registrable in Toronto, Montreal and Calgary.

Series I Notes will be redeemable by the Company, prior to maturity at any time in whole, or from time to time in part, at the option of the Company on at least 30 days' prior notice at the principal amount thereof plus a premium of 6% of such principal amount if redeemed on or before June 15, 1965; thereafter such premium being reduced by ¼ of 1% for each year commenced or elapsed after June 15, 1965, but on or before June 15, 1968; thereafter such premium being reduced by ½ of 1% for each year commenced or elapsed after June 15, 1968, but on or before June 15, 1978, and thereafter at the principal amount thereof; in each case plus accrued and unpaid interest to the date specified for redemption; provided, however, that no Series I Notes shall be redeemed prior to June 15, 1974, except at the call of the Trustee for Sinking Fund purposes, unless the Company shall have filed with the Trustee a certified copy of a resolution of its directors declaring that such Series I Notes are not being refunded, and it is not then the intention to refund, directly or indirectly, such Series I Notes, by other indebtedness incurred or to be incurred to refund such Series I Notes, and having an annual interest rate or cost of less than 6½% calculated in accordance with generally accepted financial principles.

Series I Notes to be redeemable for Sinking Fund purposes at the principal amount thereof plus accrued and unpaid interest to the date specified for redemption.

Sinking Fund

The Company to covenant to establish a Sinking Fund to retire not less than \$1,050,000 principal amount (being 70%) of the Series I Notes prior to maturity by payments to the Trustee of sums sufficient to enable the Trustee to purchase or redeem \$75,000 principal amount of such Series I Notes, in each of the years 1965 to 1978 inclusive.

Class B Share Purchase Warrants

(rights to purchase 30 Class B shares accompanying each
\$1,000 principal amount of Series I Notes)

The Series I Notes, when originally issued in definitive form, will have attached thereto Class B Share Purchase Warrants Series C, in bearer form, entitling the holders thereof to purchase Class B Shares of the Company, as presently constituted, at the rate of 30 shares in respect of each \$1,000 principal amount of Series I Notes, at the following prices:

\$6.75 per share if purchased at any time prior to the close of business on July 31, 1966, but if purchased prior to the close of business on March 31, 1965, the related Series I Note to which the Warrant is attached must be presented (unless previously redeemed);

\$9.00 per share if purchased after July 31, 1966, but prior to the close of business on July 31, 1968; and

\$11.50 per share if purchased after July 31, 1968, but prior to the close of business on July 31, 1970.

Trustee: National Trust Company, Limited

Price: 100 and accrued interest to yield 6½%

We, as principals, offer these Series I Notes and Class B Share Purchase Warrants Series C subject to prior sale and change in price if, as and when issued by the Company and accepted by us, subject to the approval of all legal matters on our behalf and on behalf of the Company by Messrs. Lash, Lash & Pringle, Toronto.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books without notice. It is expected that Series I Notes in definitive form with Class B Share Purchase Warrants Series C attached will be available for delivery on or about June 22, 1964.

Mr. Oscar Rechtshaffen, President of Security Capital Corporation Limited, has supplied the following information:

The Mortgage Industry

There are segments of the mortgage market not presently being served by established mortgage lending institutions since most established institutions must confine their mortgage loans to 66⅔% of the appraised value of the real property because of legislative restrictions. The National Housing Act enacted by the federal government provides for governmental guarantees of mortgage loans on the security of real property up to 95% of the value thereof, but such mortgages are limited in amount and to new residential construction.

Security Capital Corporation Limited (herein called the "Company"), directly and through its wholly-owned subsidiary Security Capital Corporation (Ontario) Limited (herein called the "Subsidiary") provides funds for first and second mortgage loans generally not exceeding in the aggregate 80% of its estimated valuation of the security upon which the loan is made, on residential, commercial and industrial real estate. This ratio compares favourably with established loan to equity ratios of many recognized financial institutions in the United States and the United Kingdom. In the United Kingdom building societies and other financial institutions may lend up to 90% of the appraised value, and in the United States savings and loan associations will normally lend up to 80% of appraised value and insurance companies are legally permitted to lend up to 70% of such value.

The Company

The Company and its Subsidiary were both incorporated on April 26th, 1962, under the laws of the Province of Ontario. The name of the Subsidiary was changed from Secor Capital Limited by Supplementary Letters Patent dated November 1st, 1963. The Company is engaged, directly or through its Subsidiary, in the business of purchasing and otherwise acquiring mortgages and other obligations secured on real property. The Subsidiary is also engaged in making loans secured against real estate and provides temporary short term funds for new construction and housing developments to be repaid from the proceeds of long term financing or a sale of the property. The Company also has the power to lend funds on the security of and to acquire obligations secured on personal property, but the Company does not at the present time plan to make loans or acquire obligations of this nature, except as collateral security to real estate mortgages. Neither the Company nor the Subsidiary is registered under The Loan and Trust Corporations Act of Ontario.

The head office of the Company is situate in Toronto, which affords geographic proximity to the areas in which a considerable part of the total mortgage business in Canada is transacted. The Company also transacts business obtained through established loan sources in other centres in the Province of Ontario and to a very minor extent in Quebec where there is requirement for institutional services such as those provided by the Company and its Subsidiary. The Company will consider the establishment of branch offices in selected areas where the volume of loans generated appears to warrant offering its facilities directly to the borrower.

At April 30th, 1964, the Company and its Subsidiary held mortgages receivable aggregating \$3,038,810. About 75% of the dollar amount of these mortgages were secured by residential properties. This consolidated investment portfolio is well diversified being comprised of 610 mortgages, the average amount being approximately \$4,980. About 58% of the value of the consolidated investment portfolio consists of loans secured by first mortgages on real property and the balance by second mortgages.

The Company's investment program has provided net increases in the investment portfolio each month from the inception of business, and in the year ending April 30th, 1964, the average increase in the portfolio was approximately \$150,000 per month. This net progress is determined by deducting from the total amount of new mortgages acquired approximately \$430,000 in both expected and prepaid principal payments received during the fiscal year.

In the opinion of the Company's management the mortgage market in Ontario and to a lesser extent Quebec will provide considerable scope for the Company's growth, both in supplying funds to facilitate the purchase of existing residential, industrial and income properties and in supplying long term funds to property owners who already have accumulated a substantial equity in their property against which they wish to borrow. The Company enables such property owners readily to convert the ordinarily fixed asset nature of their equity into a liquid cash asset without giving up their present enjoyment of the property.

The enduring nature and the normal useful life of real property enables the Company, as a matter of general policy, to provide funds for terms of up to ten years with amortized repayments. These longer terms of payment when contrasted with shorter two or three year terms for other types of instalment loan contracts, enable the borrower to satisfy his obligations with smaller monthly payments. Since the Company's rates are competitive with credit unions and other personal loan sources, the lower monthly payments are attractive to homeowners who desire cash loans for any worthwhile purpose including major purchases of consumer goods and the consolidation of shorter term or higher cost instalment obligations. By making use of their home as collateral, instead of the consumer goods purchased being used as collateral, for the purchase-credit, a saving in finance charges is generally achieved along with lower repayment terms. The actual cost to the borrower, expressed in dollars, of a loan yielding 12% to the Company, averages less than \$7.00 per \$100 borrowed per year of the loan term. This actual dollar cost of the loan illustrates the Company's strong competitive position as compared with other instalment loans and credits.

The Company proposes to purchase a possible total of 25% equity ownership for an amount not exceeding \$550,000 in Federal Savings & Loan Corporation, a company to be incorporated under The Loan & Trust Corporations Act of Ontario. This relationship will enable the Company to offer the borrower a package loan for a higher amount than would ordinarily be available from an institutional first mortgage alone, and at a lower combined interest rate than would be required if the Company provided the entire mortgage alone. This package plan will enable the Company to compete with any loan plan presently offered.

The Company's annual effective return on mortgages generally ranges between 12% and 15% but in special circumstances such as short-term secured loans or secured loans which require greater supervision and entail higher servicing costs, up to 1½% per month may be charged. These rates compare favourably with annual effective yields on instalment loans currently made on security other than real estate as well as the rates charged by others in this industry. These effective rates cover all charges by the Company, including the processing of the loan application.

A thorough examination is made of the credit standing, including the earning power and employment record of each applicant for a loan, based on information on file and reported by independent credit bureaus, together with other credit reporting sources as may be deemed necessary. When applications for loans are submitted they are accompanied by all pertinent valuation data from which the Company confirms the valuation of the property. Where there are particular valuation problems involved either by reason of the amount of the loan or the nature of the property, then a physical inspection and valuation is made by the Company's management, who have had many years practical experience in the valuation of properties for mortgage purposes, or by qualified independent appraisers. Provided the equity in the property is considered adequate security for the loan and provided the Company's legal and credit requirements have been met, then the loan is granted. Loans are secured by registered mortgages, hypothecs or other charges, together with an assignment of adequate fire insurance coverage and in the case of some investment properties by assignment of leases. In certain circumstances life insurance policies, promissory notes, personal guarantees of principals, or other additional collateral security is obtained.

Real property owners with an appropriate equity are generally considered to be superior credit risks. Combined with the Company's conservative valuation and lending policies, these factors have enabled the Company to make total loans from the inception of business in the amount of approximately \$3,700,000 without incurring any loss to date.

Companies carrying on comparable businesses have found loss ratios to be reasonable and have estimated such losses as being substantially less than 1% of the volume of their business over several years.

Consolidated Mortgages Receivable as at April 30, 1964

		<u>Number of Accounts</u>		<u>Total Dollar Amount</u>		<u>Maturing in the following years</u>		
						<u>1964-68</u>	<u>1969-73</u>	<u>1974 & after</u>
FIRST MORTGAGES								
Residential.....	289	47.4%	\$1,364,009	44.9%	\$292,472	\$ 974,417	\$ 97,120	
Commercial.....	11	1.8	390,924	12.9	219,475	132,245	39,204	
	<u>300</u>	<u>49.2%</u>	<u>\$1,754,933</u>	<u>57.8%</u>	<u>\$511,947</u>	<u>\$1,106,662</u>	<u>\$136,324</u>	
SECOND MORTGAGES								
Residential.....	289	47.4%	\$ 908,105	29.9%	\$269,973	\$ 599,547	\$ 38,585	
Commercial.....	21	3.4	375,772	12.3	119,105	163,039	93,628	
	<u>310</u>	<u>50.8%</u>	<u>\$1,283,877</u>	<u>42.2%</u>	<u>\$389,078</u>	<u>\$ 762,586</u>	<u>\$132,213</u>	
	<u>610</u>	<u>100.0%</u>	<u>\$3,038,810</u>	<u>100.0%</u>	<u>\$901,025</u>	<u>\$1,869,248</u>	<u>\$268,537</u>	

The above table arranges the principal balances outstanding at April 30, 1964, under the period in which each final instalment payment becomes due. It does not reflect the amortization of principal balances by monthly payments scheduled to be made over the terms of the loans. Voluntary prepayments which may be made before maturity are similarly not reflected in this table. The Company has only two years collection experience from which it may estimate the average life of its loans, but the information available at this date suggests that it would not exceed five years, and other experience in this industry indicates an average life for such loans of approximately three years. The liquidity of the Company's portfolio is therefore greater than the original loan terms of up to ten years would suggest.

Management

Mr. Oscar Rechtshaffen, the President of the Company, is a qualified barrister and solicitor and is experienced in the real property mortgage investment field. Since 1955 he has dealt extensively with realtors, mortgage brokers, builders and lawyers who are active sources of mortgage loans. A competent head-office staff of experienced personnel with specialized knowledge and skills in this field provide rapid and efficient loan processing to service the loan applications submitted by the Company's agents throughout the areas it services.

Growth Record

The Company has enjoyed a favourable reception and growing demand for its services as the following table indicates for the fiscal years ending April 30:

	1963	1964
Mortgages Receivable.....	\$1,230,224	\$3,038,810
Gross Revenue.....	68,651	282,213
Net Earnings.....	16,418	79,254
Number of Customers.....	266	610

Consolidated Net Tangible Assets

Based on the attached pro forma consolidated balance sheet of the Company and its Subsidiary at April 30, 1964, the consolidated net tangible assets available for the Series I Notes offered by this Prospectus is approximately \$2,000 per \$1,000 principal amount of Series I Notes to be outstanding.

Interest Coverage of Series I Notes

The maximum annual interest requirements on the Series I Notes offered hereby amount to \$97,500. Consolidated earnings available for Series I Notes interest requirements in the year ended April 30, 1964, would have been \$215,988 or approximately 2.2 times such requirements.

Capitalization

(After giving effect to the present financing)

	<i>Authorized</i>		<i>Outstanding</i>
6½% Sinking Fund Secured Notes, Series I due June 15, 1979 . .	\$1,500,000	(1)	\$1,500,000
Short Term Secured Notes		(2)	
6¾% Sinking Fund Debentures Series A, due February 1, 1978 . .	\$ 600,000	(3)	\$ 570,000
6¾% Subordinated Sinking Fund Debentures 1963 Series due June 30, 1978	\$ 600,000	(4)	\$ 600,000
6% Cumulative Convertible Redeemable Class A Shares of par value of \$20 each	\$ 221,520	(5)	\$ 221,520
Non-Cumulative Participating Class B Shares without par value	2,019,990 shares	(6)	181,510 shares
Common shares without par value	22,699 shares	(7)	9,315 shares

Note (1) The aggregate principal amount of Secured Notes, which may be outstanding at any time is unlimited, subject to certain restrictions and limitations in the trust indenture relating to Secured Notes.

Note (2) Short Term Secured Notes, with maturities varying from demand to not later than 36 months after the date of issue, are authorized for issue under the terms of the trust indenture relating to Secured Notes and are proposed to be issued from time to time at such rates of interest or without interest as the directors determine. The aggregate principal amount of Short Term Notes, which may be outstanding at any time is unlimited, subject to certain restrictions and limitations contained in the trust indenture.

Note (3) The Debenture trust agreement under which the Series A Debentures were issued provides for the issue of Debentures in series, other than Series A, unlimited in principal amount but subject to the restrictions and limitations contained therein.

Note (4) The Subordinated Debenture trust agreement under which the 1963 Series Subordinated Debentures were issued provides for the issue of Subordinated Debentures in series, other than the 1963 Series, unlimited in principal amount but subject to the restrictions and limitations contained therein.

Note (5) The number of 6% Cumulative Convertible Redeemable Class A shares authorized and issued was 15,000 but due to conversions the number has decreased by 3,924 and the number of Class B shares and common shares has increased by 19,620 and 196, respectively. The maximum number of Class B shares and common shares which could result from the conversion of all Class A shares originally issued would be 75,000 Class B shares and 750 common shares.

Note (6) Of the unissued Class B shares 17,000 are reserved for issue upon exercise of options outstanding, particulars of which are set forth in clause 11 (i) to (v) inclusive of the Statutory Information of this Prospectus, 46,680 are reserved against the exercise of Share Purchase Warrants Series A referred to in clause 11 (vi) of the Statutory Information of this Prospectus, 47,440 are reserved against the exercise of Share Purchase Warrants 1963 Series referred to in clause 11 (vii) of the Statutory Information of this Prospectus and 45,000 are reserved against the exercise of Share Purchase Warrants Series C which will be attached to definitive Series I Notes, particulars of which are set forth on the face page of this Prospectus.

Note (7) Of the unissued common shares 5,150 are reserved for issue upon the exercise of options outstanding, particulars of which are set forth in clause 11 (i) to (iv) inclusive of the Statutory Information of this Prospectus, 467 are reserved for issue upon the exercise of Share Purchase Warrants Series A referred to in clause 11 (vi) of the Statutory Information of this Prospectus and 475 are reserved for issue upon the exercise of Share Purchase Warrants 1963 Series referred to in clause 11 (vii) of the Statutory Information of this Prospectus.

Purpose of Issue

The net proceeds to be received by the Company from the sale of the \$1,500,000 principal amount of Series I Notes will be used to retire present bank loans and for general corporate purposes including additional mortgage loans.

Class B Share Purchase Warrants Series C

The Series I Notes when originally issued in definitive form, will have attached thereto Class B Share Purchase Warrants Series C, in bearer form, entitling the holders thereof to purchase Class B shares without par value in the capital of the Company, as presently constituted, at the rate of 30 shares in respect of each \$1,000 principal amount of Series I Notes, at the following prices:

- (i) \$6.75 per share if purchased at any time prior to the close of business on July 31, 1966, but if purchased prior to the close of business on March 31, 1965, the related Series I Note to which the Warrant is attached must be presented (unless previously redeemed);
- (ii) \$9.00 per share if purchased after July 31, 1966, but prior to the close of business on July 31, 1968; and
- (iii) \$11.50 per share if purchased after July 31, 1968, but prior to the close of business on July 31, 1970;

The expression "close of business" used above shall mean four o'clock in the afternoon, Toronto time.

The Class B Share Purchase Warrants Series C will be issued pursuant to an agreement to be made between the Company and National Trust Company, Limited, as Trustee, to be dated as of June 22, 1964 and will expire at four o'clock in the afternoon, Toronto time, on July 31, 1970.

The agreement will contain provisions, amongst other things, for the appropriate and proportionate adjustment of the rights of holders of Class B Share Purchase Warrants Series C, in the event of a consolidation, subdivision, stock dividend paid in Class B shares or other change of Class B shares into a greater or lesser number and/or a different class or classes of shares than presently constituted.

Security

The Series I Notes will, in the opinion of Counsel, be direct obligations of the Company and will be issued under and secured by a trust indenture to be dated as of June 22, 1964 between the Company and National Trust Company, Limited, as Trustee, and will rank *pari passu* with the Short Term Notes and all other Notes from time to time issued under the trust indenture or indentures supplemental thereto and will be equally and proportionately secured (except as to sinking funds, if any, for the Notes of different series) by:

- (a) a first fixed and specific mortgage, pledge, hypothec and charge of and upon all Approved Securities and/or Cash, and/or upon any shares of any Subsidiary owned or controlled by the Company and/or upon all the right, title, interest and benefit of the Company in, to and under any Loan Agreement with a Consolidated Subsidiary, from time to time deposited as Pledged Collateral;

- (b) an assignment to and in favour of the Trustee of all right, title and interest of the Company in and to all Secured Obligations, from time to time deposited as Pledged Collateral; and
- (c) a first floating charge under the laws of the Province of Ontario upon all the undertaking and other property and assets, both present and future, and of whatsoever nature and kind and wheresoever situate, of the Company.

The Company will covenant to maintain, while any Series I Notes or Short Term Notes are outstanding, Approved Collateral from time to time deposited with the Trustee (as Pledged Collateral) the Value of which shall be equal to at least 125% of the principal amount of all Secured Notes for the time being outstanding under the trust indenture. Until the security constituted by the trust indenture shall have become enforceable and the Trustee shall have determined or become bound to enforce the same, the Company or any Consolidated Subsidiary will be entitled to receive, as agent for the Trustee, all moneys paid in respect of all Pledged Collateral; provided, however, if at the time of receipt of such moneys by the Company or any Consolidated Subsidiary, the Company is not in default and the Value of the Approved Collateral subject to the fixed and specific mortgage, pledge, hypothec and charge of the trust indenture is in excess of the value required by the trust indenture, the moneys so received, shall be and be deemed to have been released from the fixed and specific mortgage, pledge, hypothec and charge of the trust indenture. The trust indenture will contain provisions permitting the release of Pledged Collateral subject to the fixed and specific mortgage, pledge, hypothec and charge; provided such release shall not have the effect of reducing the value of Pledged Collateral below the value required to comply with the provisions of the trust indenture and the Company is not then in default thereunder.

Issue of Short Term and Additional Notes

The trust indenture will make provisions, for the issue of Short Term Notes, and additional Notes from time to time without limit in principal amount but the Company will covenant that so long as any Series I Notes remain outstanding the Company will maintain on deposit with the Trustee as Pledged Collateral, Approved Collateral having an aggregate Value of not less than 125% of the aggregate principal amount of the Notes from time to time outstanding under the trust indenture.

Certain Provisions of the Trust Indenture

The trust indenture will contain provisions substantially to the effect that so long as any of the Series I Notes or Short Term Notes remain outstanding and subject as hereinafter provided:

- (a) That the Company will not permit the aggregate principal amount of its Senior Debt outstanding at any time to exceed $3\frac{1}{2}$ times the then total of the capital, surplus and the aggregate principal amount of Junior Debt and Subordinated Indebtedness then outstanding;
- (b) (i) the Company will not and will not permit any Consolidated Subsidiary to create, assume or suffer to exist any mortgage, deed of trust and mortgage, pledge, encumbrance, lien or charge of any kind upon any of its property or assets, present or future, except,
 - (A) in the case of any Consolidated Subsidiary hereafter acquired, such as may be outstanding in respect of such Consolidated Subsidiary at the date of its acquisition;
 - (B) liens for taxes not yet due or which are being contested in good faith by appropriate proceedings;
 - (C) mortgages, charges, encumbrances or liens given or assumed by the Company or any Consolidated Subsidiary as part of the purchase price of any property (not being Approved Collateral) acquired or purchased for purposes of the Company's or such Consolidated Subsidiary's business, provided that no such mortgage, charge, encumbrance or lien shall exceed 85% of the cost of such property;
 - (D) other liens, debts, charges and encumbrances incidental to the conduct of the Company's or Consolidated Subsidiary's business or the ownership of property and assets by the Company or any Consolidated Subsidiary which were not incurred in connection with the borrowing of money or the obtaining of advances or credit, and which do not in the aggregate materially detract from the value of its property or assets or materially impair the use thereof in the operation of its business;
 - (E) mortgages, charges, hypothecs or other liens given or created under or pursuant to a Loan Agreement or Guarantee Agreement; and
 - (F) such as shall rank junior to the security hereby created or intended so to be.
- (ii) the Company will not permit any Consolidated Subsidiary to borrow money except from the Company or to issue evidences of indebtedness except to the Company or under any Guarantee Agreement;
- (iii) the Company will not and will not permit any Consolidated Subsidiary to enter into or suffer to exist a guarantee of any debt or other obligation of any person, firm or corporation, except in the case of any Consolidated Subsidiary under any Guarantee Agreement;
- (iv) any Consolidated Subsidiary to merge or consolidate with any other corporation or sell, lease or transfer or otherwise dispose of all or a substantial part of its assets to any person, firm or corporation, except that (i) any Consolidated Subsidiary may merge or consolidate with the Company or with one or more other Consolidated Subsidiaries in whose capital the Company has at least as great an interest (provided that, in the opinion of Counsel, the continuing or surviving corporation satisfies the definition of a Consolidated Subsidiary) and (ii) any Consolidated Subsidiary may sell, lease, transfer or otherwise dispose of any of its assets to the Company or to another Consolidated Subsidiary in whose capital the Company has at least as great an interest;
- (c) That the Company will not declare or pay any dividends on or make any distribution in excess of the sinking fund, redemption or retirement requirements prescribed (whether by reduction of capital or otherwise) with respect to its capital other than dividends or distributions payable solely in shares

of its capital, or apply any of its assets or the assets of any Subsidiary to the payment, purchase, redemption, requestion or other retirement of any shares of its capital (such declarations, payments, distributions or application being hereinafter called "Restricted Payments") unless:

- (i) at the time of any such Restricted Payment and immediately after giving effect thereto, no event of default (as defined or which may be defined in this indenture or supplemental indentures) shall exist;
 - (ii) such Restricted Payment and all Restricted Payments theretofore made subsequent to June 22, 1964, shall not in the aggregate exceed an amount equal to the Net Earnings calculated during the period from April 30, 1963 to the date of the declaration or authorization of such Restricted Payment, treating such period as a single accounting period; and
 - (iii) such retirement or redemption of any shares of its capital is made expressly in connection with the issue of an equal or greater amount of capital of the same or a different class.
- (d) That the Company will not make or authorize any payment of or on account of Junior Debt or Subordinated Indebtedness if after giving effect thereto, an event of default (as defined or which may be defined in this indenture or supplemental indentures) shall exist;
- (e) That the Company will not and will not permit any Subsidiary to become or be or remain liable as lessee upon or with respect directly or indirectly to any lease whatsoever of any property which has been or is to be sold or transferred by the Company or any Subsidiary directly or indirectly to the lessor.
- (f) That the Company will not and will not permit any Subsidiary to engage in any business other than lending or investing funds secured by charges on interests in real property or immoveables or on chattels or the business of a trust company, life insurance company, finance company, savings and loan company, or a chartered bank.
- (g) That the Company will not and will not permit any Consolidated Subsidiary to make or hold any investment in any corporations or businesses if after giving effect thereto the total of all such investments made and held by the Company and all Consolidated Subsidiaries will exceed 10% of the then total of the capital, surplus and the aggregate principal amount of Junior Debt and Subordinated Indebtedness then outstanding; provided that the Company or any Consolidated Subsidiary may make or hold investments in any corporations or businesses engaged in any business referred to in paragraph (f) hereof, if the total of all such investments, in such corporations or businesses, shall not exceed 25% of the then total of the capital, surplus and the aggregate principal amount of Junior Debt and Subordinated Indebtedness then outstanding; but the foregoing shall not be deemed to restrict investments in Consolidated Subsidiaries.
- (h) That the Company will not permit any Consolidated Subsidiary to become an Unconsolidated Subsidiary unless and until it shall deliver to the Trustee a certificate of the Company that it is not and will not by reason thereof be in default hereunder and a certificate of the Company's auditors to the effect that the Company is entitled to take such action.

Definitions

The trust indenture will contain definitions of the following terms, among others, substantially to the following effect:

- (i) "Approved Collateral" means:
 - (i) Secured Obligations;
 - (ii) Approved Securities; and
 - (iii) Cash;
- (ii) "capital" means the amount paid up on issued shares in the capital of the Company;
- (iii) "Cash" means lawful money of Canada, unless otherwise provided herein and includes amounts represented by certificates of deposit or other acknowledgment of any chartered bank of Canada, or trust or loan company in Canada which is duly authorized to accept cash deposits, for cash deposited under circumstances where such amounts must be paid out to or to the order of the Trustee;
- (iv) "certificate of an Appraiser" means a certificate dated and signed by a person, who may be an officer or employee of the Company or a Subsidiary and who in the opinion of the Company is qualified to estimate real property or land setting forth the value of such real property or land in his opinion;
- (v) "Guarantee Agreement" means any agreement between a Consolidated Subsidiary and the Trustee wherein, inter alia, the Consolidated Subsidiary unconditionally guarantees, and covenants to duly and punctually perform and carry out, all the Company's obligations under this indenture, such guarantee to be secured by a first fixed and specific mortgage, pledge, hypothec and charge of Approved Collateral deposited as Pledged Collateral with the Trustee and by a first floating charge upon all the undertaking and other property and assets of such Consolidated Subsidiary;
- (vi) "Junior Debt" means any indebtedness of the Company which is by the express terms thereof subordinate or junior in priority of payment to Senior Debt, other than Subordinated Indebtedness, and includes the \$600,000 principal amount of Debentures Series A issued under a trust agreement made between the Company and Chartered Trust Company dated as of February 1, 1963, and any other indebtedness ranking equally with the said Debentures;
- (vii) "Loan Agreement" means any agreement between the Company and any Consolidated Subsidiary which is in the same form as set forth in a Schedule to the trust indenture and deposited with the Trustee or in such other form as may be acceptable to the Trustee;
- (viii) "Pledged Collateral" means all Approved Collateral for the time being and from time to time granted, conveyed, assigned, ceded, transferred, mortgaged, pledged, hypothecated or charged specifically in favour of the Trustee under this indenture, or intended so to be;
- (ix) "Senior Debt" means Secured Notes which may be issued by the Company secured by mortgage, hypothec, pledge or charge upon real and/or personal property of the Company or any Consolidated

Subsidiary and any other indebtedness of the Company other than Junior Debt and Subordinated Indebtedness;

- (x) "Subsidiary" means any corporation or company of which more than 50% of the outstanding shares carrying voting rights at all times (provided that the ownership of such shares confers the right at all times to elect at least a majority of the board of directors of such corporation or company) are or shall at any time be owned directly or indirectly or held by or for the Company and/or by or for any other corporation or company in like relation to the Company and includes any corporation or company in like relation to a Subsidiary;
- (xi) "Consolidated Subsidiary" means a Subsidiary, other than an Unconsolidated Subsidiary, which has entered into a Loan Agreement with the Company which has been assigned to the Trustee in accordance with the provisions of the indenture or which has entered into a Guarantee Agreement with the Trustee;
- (xii) "Consolidated Subsidiary Equity" means the aggregate amount, if any, by which the value (computed in accordance with the provisions of sub-clauses (a), (b) and (c) of paragraph (xx)) at any time of Secured Obligations which have been specifically assigned by a Consolidated Subsidiary to or to the order of the Company pursuant to a Loan Agreement exceeds the then indebtedness of such Consolidated Subsidiary to the Company;
- (xiii) "Unconsolidated Subsidiary" means any Subsidiary (a) all the business operations of which are carried on outside Canada or (b) 90% of the assets of which are investments in which a company registered under Part III of the Canadian and British Insurance Companies Act (Canada) may invest its funds, without availing itself for that purpose of the provisions of subsection (4) of Section 63 of such Act; and with respect to which the directors of the Company have passed a resolution that such company shall thereafter be deemed to be an Unconsolidated Subsidiary and none of the obligations or indebtedness of which either the Company or any Consolidated Subsidiary has guaranteed, endorsed, contingently agreed to purchase or otherwise become liable upon;
- (xiv) "investment in any corporation or business" shall include the cost to the Company or any Consolidated Subsidiary of all shares, bonds, debentures, notes and any other securities or obligations or indebtedness issued by such corporation or business and all advances and loans to any such corporation or business, but there shall be deducted from such investment, indebtedness of the Company or any Consolidated Subsidiary to any such corporation or business to the extent that it can be legally set off against any indebtedness included in such investment;
- (xv) "Subordinated Indebtedness" means any indebtedness which is by the express terms thereof subordinate and junior in priority of payment to Junior Debt and Senior Debt, and includes the \$600,000 principal amount of 1963 Series Subordinated Debentures issued under a trust agreement made between the Company and Chartered Trust Company dated as of June 25, 1963, and any other indebtedness ranking equally with such Subordinated Debentures;
- (xvi) "surplus" means the aggregate of: (a) Net Earnings, as hereinafter defined, of the Company and its Consolidated Subsidiaries since, in the case of the Company, the 26th day of April, 1962 and, in the case of Subsidiaries, their respective dates of acquisition or incorporation whichever is the later, less all income and profits taxes and interest not deducted in determining Net Earnings and less all dividends paid; and (b) profits less losses of a non-recurring nature of the Company and its Consolidated Subsidiaries; all as determined by the auditors of the Company on a consolidated basis in accordance with generally accepted accounting principles. The term "Net Earnings" for the purpose hereof means the amount remaining after deducting from income of the Company and Consolidated Subsidiaries from all sources (including discounts realized on the disposal or prepayment of mortgages or loans, but excluding profits of a non-recurring nature as distinguished from operating profits) all operating expenses and charges including, but without limitation taxes (other than income and profits taxes), rentals, licences, insurance premiums and interest charges on indebtedness and after making appropriate provisions for depreciation and for minority interests (if any) in Consolidated Subsidiaries, all as determined by the auditors of the Company on a consolidated basis in accordance with generally accepted accounting principles;
- (xvii) "Secured Obligations" means:
 - (i) bills of exchange, promissory notes and other negotiable instruments acquired in the ordinary course of business by the Company or a Consolidated Subsidiary and securing or representing security or representing payments due or accruing due under instruments and agreements (including, without limitation, conditional sales agreements, lien notes and chattel mortgages) which contain an obligation to pay money in respect of money loaned, goods, wares or merchandise; save and except any bills, notes or instruments upon which a Subsidiary is liable other than as an endorser and any bills, notes or instruments securing or representing payments under any mortgage referred to in sub-clause (iii) hereof and provided the same do not constitute Approved Securities; or
 - (ii) instruments and agreements (including, without limitation, conditional sales agreements, lien notes and chattel mortgages, which are not bills of exchange, promissory notes or other negotiable instruments) which are acquired in the ordinary course of business by the Company or a Consolidated Subsidiary, and which contain an obligation to pay money in respect of money loaned, goods, wares or merchandise and which are not also evidenced or secured by a bill of exchange, promissory note or other negotiable instrument; or
 - (iii) mortgages and interests in mortgages which are acquired by the Company or a Consolidated Subsidiary in the ordinary course of business and with respect to which, the unpaid principal amount, together with the unpaid principal amount of any mortgages, hypothecs, charges or other encumbrance or interest therein ranking equally with or prior to the mortgage did not, on the date of the final advance or the date of acquisition, exceed 85% of the appraised value of the real property (as shown on a Certificate of an Appraiser bearing date within sixty (60) days of the final advance or date of acquisition) and in respect of which there shall have been furnished to, or on behalf of, the Company or the Consolidated Subsidiary an opinion of a solicitor or firm of solicitors, a notary or firm of notaries, stating as of such date:

- (i) the amount secured by the mortgage and the principal amount outstanding on any mortgage, hypothec, charge or any other indebtedness or encumbrance or any interest in any of the foregoing affecting the lands which rank equally with or prior to the mortgage acquired;
 - (ii) that the mortgage acquired in respect of the lands described and the title to the real property at the date of registration thereof was good and sufficient for the purpose of the loan;
 - (iii) that the Company or such Consolidated Subsidiary is the registered owner of such mortgage or one of the registered owners thereof and has good and sufficient title thereto for the purpose of the loan; provided that in the case of any mortgage which is not owned solely by the Company and/or a Consolidated Subsidiary such mortgage need not be registered in the name of the Company or such Consolidated Subsidiary if the Company or such Consolidated Subsidiary has entered into an agreement with the other owner or owners of such mortgage, setting forth their respective interests therein and if the Company or such Consolidated Subsidiary has received an opinion of Counsel that such agreement is valid and binding on the parties thereto and that the Company or such Consolidated Subsidiary is entitled to transfer and assign to the Trustee all its right, title and interest therein; and
 - (iv) that there are no arrears of taxes in respect of the real property on the date the mortgage was acquired or upon which the final advance was made;
- together with evidence satisfactory to the Company or such Consolidated Subsidiary that the premises are adequately insured under a policy or policies of insurance to which are attached mortgage or other applicable clauses in form satisfactory to the Company or such Consolidated Subsidiary;
- (xviii) "Short Term Notes" or "Short Term Secured Notes" means Notes payable on demand or for terms not exceeding three (3) years from the date of issue;
 - (xix) "Approved Securities" means obligations or securities of the government of Canada or any Province of Canada or obligations or securities guaranteed by the government of Canada;
 - (xx) "Value" as applied to Approved Collateral means the aggregate in lawful money of Canada, of the following:
 - (i) as to Secured Obligations—the lesser of
 - (a) the unpaid principal balance owing to the Company or any Consolidated Subsidiary in respect thereof;
 - (b) the principal amount which would be outstanding thereunder to the Company or any Consolidated Subsidiary if all payments or instalments required to be made thereunder had been paid on their due dates; and
 - (c) in case of mortgages or interests therein acquired at a discount, the cost thereof to the Company or any Consolidated Subsidiary after deducting therefrom such amounts as have been recorded on the books of the Company or a Consolidated Subsidiary as representing a return of cost;
 computed as at the date at which the determination of Value is made less the aggregate amount of indebtedness owing in respect of Secured Obligations, any instalment or instalments of which are then ninety (90) or more days in arrears and less also the amount of any Consolidated Subsidiary Equity then applicable thereto.
 - (ii) as to Approved Securities—125% of the market thereof at the pertinent time as determined by the Trustee; and
 - (iii) as to Cash—125% of the face value thereof;
 - (xxi) "auditors of the Company" or "Company's auditors" means an independent firm of chartered accountants duly appointed as auditors of the Company and acceptable to the Trustee;

Redemption

The Company will have the right, at its option, prior to maturity, upon giving at least 30 days' prior notice, to redeem at any time all the outstanding Series I Notes, or from time to time any part, at the following percentages of the principal amount thereof:

106%	if redeemed on or before June 15, 1965
105.75%	thereafter and on or before June 15, 1966
105.50%	thereafter and on or before June 15, 1967
105.25%	thereafter and on or before June 15, 1968
104.75%	thereafter and on or before June 15, 1969
104.25%	thereafter and on or before June 15, 1970
103.75%	thereafter and on or before June 15, 1971
103.25%	thereafter and on or before June 15, 1972
102.75%	thereafter and on or before June 15, 1973
102.25%	thereafter and on or before June 15, 1974
101.75%	thereafter and on or before June 15, 1975
101.25%	thereafter and on or before June 15, 1976
100.75%	thereafter and on or before June 15, 1977
100.25%	thereafter and on or before June 15, 1978
	and 100% thereafter;

in each case plus accrued and unpaid interest to the date specified for redemption (hereinafter called the "redemption price"); provided, however, that no Series I Notes shall be redeemed prior to June 15, 1973, except at the call of the Trustee for Sinking Fund purposes, unless the Company shall have filed with the

Trustee a certified copy of a resolution of its directors declaring that such Series I Notes are not being refunded, and it is not then the intention to refund, directly or indirectly, such Series I Notes, by other indebtedness incurred or to be incurred to refund such Series I Notes, and having an annual interest rate or cost of less than $6\frac{1}{2}\%$ calculated in accordance with generally accepted financial principles, and provided further that in case less than all Series I Notes for the time being outstanding are at any time to be redeemed, such Series I Notes so to be redeemed shall be selected by the Trustee by lot in such manner as the Trustee may deem equitable.

The Company will also have the right to purchase Series I Notes when not in default in the open market or by tender or by private contract, provided that the prices at which such Notes may be purchased shall not exceed the then current redemption price otherwise than out of Sinking Fund moneys (if any), plus costs of purchase.

The Series I Notes will be redeemable for Sinking Fund purposes at the principal amount thereof plus accrued and unpaid interest to the date specified for redemption as referred to herein under the heading "Sinking Fund."

Sinking Fund

The Company will covenant in the trust indenture to establish a Sinking Fund for the benefit of the holders of the Series I Notes, to retire not less than \$1,050,000 principal amount (being 70%) of the Series I Notes prior to maturity and for such purpose to pay to the Trustee (subject as hereinafter provided) on or before June 15 in each of the years 1965 to 1978 inclusive, sums sufficient to enable the Trustee to purchase or redeem as hereinafter stated \$75,000 principal amount of such Series I Notes as mandatory sinking fund retirements; provided, however, that the Company will have the right at any time and from time to time to direct the Trustee that Series I Notes theretofore redeemed or purchased by the Company shall be applied in satisfaction, to the extent of the full principal amount thereof, of any Sinking Fund payment whether then due or thereafter to fall due, and provided further that, on notice to the Trustee given at least 45 days prior to any sinking fund payment date, in lieu of making any Sinking Fund payment or (if Series I Notes redeemed or purchased by the Company are to be applied on account of such sinking fund payment) in lieu of paying the balance thereof, the Company will have the right to require the Trustee to, and the Trustee shall, call for redemption in the name of the Company at the principal amount thereof plus accrued and unpaid interest to the date specified for redemption, a principal amount of Series I Notes, selected by lot in such manner as the Trustee may deem equitable, equivalent to the principal amount of such Series I Notes required to be retired by such Sinking Fund payment or the balance thereof, as the case may be; provided, always, however, that the Company shall have deposited with the Trustee prior to the date specified for redemption, a sum in cash sufficient for such redemption and expenses of the Trustee.

Except as provided above, all Sinking Fund moneys received by the Trustee for the Series I Notes shall be applied by the Trustee to the purchase of such Series I Notes in the open market or by tender or by private contract, at the lowest prices in the opinion of the Trustee obtainable, but not exceeding the principal amount thereof, plus accrued and unpaid interest to the date of purchase and costs of purchase, until the Trustee has for the Sinking Fund for such year the required principal amount of Series I Notes, provided that if within a period of 60 days following receipt by the Trustee of any such moneys, or within such shorter period as the Company may from time to time designate, the Trustee has been unable to complete the mandatory sinking fund retirements for such year (and previous years, if any) with sums then held by the Trustee in the Sinking Fund pursuant to the provisions of the trust indenture, the Trustee shall with all convenient dispatch after the expiration of such period, call for redemption upon giving at least 30 days' prior notice, and apply such moneys (unless the same amount to less than \$5,000 when such moneys will only be so applied upon request of the Company), to the redemption of Series I Notes selected by lot in such manner as the Trustee may deem equitable, at the principal amount thereof, plus accrued and unpaid interest to the date specified for redemption, to the principal amount necessary to complete mandatory Sinking Fund retirements for such year (and previous years, if any). If at any time any moneys provided for the Sinking Fund shall remain in the hands of the Trustee after all then mandatory Sinking Fund retirements shall have been made, such moneys shall forthwith be repaid to the Company.

Security Capital Corporation Limited
and its wholly-owned subsidiary company

Consolidated Balance Sheet and Pro Forma Consolidated Balance Sheet
as at April 30, 1964

After giving effect in the pro forma consolidated balance sheet to the following transactions:

- (1) The issue and sale for \$1,432,500 cash of \$1,500,000 of 6½% Sinking Fund Secured Notes Series I to be dated June 22, 1964 and to mature on June 15, 1979.
- (2) Payment of financing expenses estimated at \$15,000.
- (3) Repayment of bank advances amounting to \$1,237,532.

A S S E T S

	Consolidated balance sheet	Pro forma consolidated balance sheet
Current and Working Assets:		
Cash.....	\$ 31,081	\$ 211,049
Accounts receivable and prepaid expenses.....	11,765	11,765
Mortgages receivable (Note 1).....	\$3,038,810	
<i>Less</i> —Amounts not yet advanced.....	34,073	
	3,004,737	3,004,737
Accrued mortgage interest.....	21,674	21,674
	3,069,257	3,249,225
Office Furniture and Equipment and Leasehold Improvements at cost, less accumulated depreciation of \$2,086.....	3,524	3,524
Unamortized Discount, Organization, Financing and Mortgage Procurement Expenses.....	135,434	217,934
	<u>\$3,208,215</u>	<u>\$3,470,683</u>

L I A B I L I T I E S

	Consolidated balance sheet	Pro forma consolidated balance sheet
Current Liabilities:		
Bank advances (secured).....	\$1,237,532	\$ —
Accounts payable and accruals.....	33,207	33,207
Income taxes payable.....	29,692	29,692
Debenture sinking fund payments, due within one year.....	70,000	70,000
	1,370,431	132,899
Deferred Income:		
Unamortized discounts on mortgages receivable.....	57,637	57,637
Long Term Secured Notes (Note 2).....	—	1,500,000
Debenture Debt (Note 3).....	1,100,000	1,100,000
Shareholders' Equity:		
Capital Stock (Note 4)—		
Class A shares.....	229,720	229,720
Class B shares.....	378,146	378,146
Common shares.....	30,359	30,359
	638,225	638,225
Retained Earnings, per statement attached.....	41,922	41,922
	680,147	680,147
	<u>\$3,208,215</u>	<u>\$3,470,683</u>

Approved on behalf of the Board:

(Signed) OSCAR RECHTSHAFFEN, Director

(Signed) JAMES H. MORLOCK, Director

See accompanying notes to financial statements.

Security Capital Corporation Limited
and its wholly-owned subsidiary company

Consolidated Statement of Profit and Loss
and Retained Earnings

	<u>Year ended April 30</u>	
	<u>1964</u>	<u>1963</u>
Mortgage interest.....	\$261,477	\$ 51,656
Amortization of mortgage discount.....	18,724	7,805
Other.....	2,012	9,190
	<u>282,213</u>	<u>68,651</u>
Cost of borrowings:		
Interest on debentures.....	74,005	10,125
Other interest.....	27,695	491
Amortization of debenture discount and financing expenses.....	8,834	1,103
	<u>110,534</u>	<u>11,719</u>
Administrative and general expenses:		
Salaries.....	32,307	16,096
Office and administrative expenses.....	27,973	15,359
Directors' fees.....	1,200	500
Audit and legal.....	3,659	3,375
Depreciation.....	1,086	1,084
	<u>176,759</u>	<u>48,133</u>
Profit before deducting income taxes.....	105,454	20,518
Income taxes (Note 5).....	26,200	4,100
Net profit for the year.....	<u>79,254</u>	<u>16,418</u>
Retained earnings at beginning of year.....	7,418	—
	<u>86,672</u>	<u>16,418</u>
Dividends paid:		
On Class A shares.....	15,597	9,000
On Class B shares.....	20,992	—
On common shares (before subdivision).....	8,161	—
	<u>44,750</u>	<u>9,000</u>
Retained earnings at end of year.....	<u>\$ 41,922</u>	<u>\$ 7,418</u>

See accompanying notes to financial statements.

Auditors' Report

TO THE DIRECTORS OF
SECURITY CAPITAL CORPORATION LIMITED:

We have examined the consolidated balance sheet and the pro forma consolidated balance sheet of Security Capital Corporation Limited and its wholly-owned subsidiary company as at April 30, 1964 and the consolidated statement of profit and loss and retained earnings for the two years ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and the consolidated statement of profit and loss and retained earnings present fairly the financial position of the companies as at April 30, 1964 and the results of their operations for the two years ended on that date in accordance with generally accepted accounting principles applied on a consistent basis throughout the period.

We further report that, in our opinion, the accompanying pro forma consolidated balance sheet presents fairly the financial position of the companies as at April 30, 1964 after giving effect as at that date to the transactions described in the headnote thereof.

(Signed) PRICE WATERHOUSE & Co.
Chartered Accountants.

Toronto, June 9, 1964

Security Capital Corporation Limited
and its wholly-owned subsidiary company

Notes to Financial Statements
April 30, 1964

1. MORTGAGES RECEIVABLE:

The following is a summary of the mortgages receivable by their maturity dates (not reflecting regular instalment payments on account of principal to be made prior thereto):

	Number of Accounts		Total Dollar Amount		Maturing in the following years		
					1964-68	1969-73	1974 & after
FIRST MORTGAGES							
Residential.....	289	47.4%	\$1,364,009	44.9%	\$292,472	\$ 974,417	\$ 97,120
Commercial.....	11	1.8	390,924	12.9	219,475	132,245	39,204
	<u>300</u>	<u>49.2%</u>	<u>\$1,754,933</u>	<u>57.8%</u>	<u>\$511,947</u>	<u>\$1,106,662</u>	<u>\$136,324</u>
SECOND MORTGAGES							
Residential.....	289	47.4%	\$ 908,105	29.9%	\$269,973	\$ 599,547	\$ 38,585
Commercial.....	21	3.4	375,772	12.3	119,105	163,039	93,628
	<u>310</u>	<u>50.8%</u>	<u>\$1,283,877</u>	<u>42.2%</u>	<u>\$389,078</u>	<u>\$ 762,586</u>	<u>\$132,213</u>
	<u>610</u>	<u>100.0%</u>	<u>\$3,038,810</u>	<u>100.0%</u>	<u>\$901,025</u>	<u>\$1,869,248</u>	<u>\$268,537</u>

The mortgages are carried on the consolidated balance sheet as at April 30, 1964 at their face values, less amounts not yet advanced and principal payments received to date. Any discounts in respect of such mortgages are deferred and amortized over the periods of the mortgages. Both the first and second mortgages receivable bear nominal rates of interest varying from 6% to 18%.

The Company's policy is to provide for losses on mortgages receivable and on any foreclosed properties held for resale by charges to income as and when such losses are determined on realization or when it becomes evident that a loss will be incurred. No such losses have been incurred up to April 30, 1964.

2. LONG TERM SECURED NOTES:

	<i>Consolidated balance sheet</i>	<i>Pro forma consolidated balance sheet</i>
6½% Sinking Fund Secured Notes Series I, maturing June 15, 1979, sinking fund payments of \$75,000 due in each of the years 1965 to 1978 inclusive.....	\$ —	\$1,500,000

The secured notes are to be accompanied by warrants to purchase 45,000 Class B shares at \$6.75 per share up to July 31, 1966, at \$9.00 per share thereafter and up to July 31, 1968, and at \$11.50 per share thereafter and up to July 31, 1970.

3. DEBENTURE DEBT:

6¾% Sinking Fund Debentures Series A maturing February 1, 1978, sinking fund payments of \$30,000 due in each of the years 1965 to 1977 inclusive.....	\$ 570,000
6¾% Subordinated Sinking Fund Debentures 1963 Series maturing June 30, 1978, sinking fund payments of \$40,000 due in each of the years 1964 to 1977 inclusive.....	600,000
	<u>1,170,000</u>
Less—Sinking fund payments due within one year included with current liabilities.....	70,000
	<u>\$1,100,000</u>

4. CAPITAL STOCK:

Supplementary Letters Patent were obtained during the year ended April 30, 1964, which resulted in the following changes in the share capital of the Company:

- (1) The 6% cumulative convertible redeemable preference shares with a par value of \$20 each were redesignated as 6% cumulative convertible redeemable Class A shares with a par value of \$20 each.
- (2) The 169,800 common shares without par value issued and outstanding on December 6, 1963 were reclassified and subdivided into 169,800 non-cumulative participating Class B shares without par value and 1,698 common shares without par value.
- (3) The 840,000 common shares unissued on December 6, 1963 were reclassified and subdivided into 840,000 Class B shares and 8,400 common shares.
- (4) The authorized capital of the Company was increased by creating an additional 1,000,000 Class B shares and an additional 12,500 common shares.

Class A shares—	<i>Number of shares</i>	<i>Amount</i>
Authorized and issued April 30, 1963.....	14,683	\$293,660
Less—shares converted during the year.....	<u>3,197</u>	<u>63,940</u>
Authorized and issued April 30, 1964.....	<u>11,486</u>	<u>\$229,720</u>

The 6% cumulative Class A shares are redeemable at \$22.00 per share up to March 30, 1965, \$21.50 per share thereafter and up to March 30, 1966 and \$21.00 per share thereafter, plus in each case accrued and unpaid cumulative dividends to redemption date.

Each Class A share may be converted on or before March 30, 1965 into 5 Class B shares and five one-hundredths of a common share and thereafter and on or before March 30, 1967 into 4 Class B shares and four one-hundredths of a common share. (Such conversion would increase the number of authorized and issued Class B and common shares of the Company.)

Class B Shares—

	<i>Number of shares</i>		<i>Amount</i>
	<i>Authorized</i>	<i>Issued</i>	
Arising on reclassification and subdivision of common shares on December 6, 1963.....	1,009,800	169,800	\$338,925
Increase in authorized shares by Supplementary Letters Patent....	1,000,000		
Arising on conversion of 1,628 Class A shares.....	8,140	8,140	32,544
Issued on exercise of warrants.....		1,440	6,677
Balance April 30, 1964.....	2,017,940	179,380	\$378,146

Common Shares—

	<i>Number of shares</i>		<i>Amount</i>
	<i>Authorized</i>	<i>Issued</i>	
Balance April 30, 1963.....	1,001,585	161,595	\$306,355
Arising on conversion of 1,569 preferred shares.....	7,845	7,845	31,380
Issued on exercise of warrants.....		360	1,530
Adjustment of authorized shares to bring unissued total to 840,000.	370		
Balance December 6, 1963 prior to reclassification and subdivision.	1,009,800	169,800	\$339,265
New common shares on reclassification and subdivision.....	10,098	1,698	\$ 340
Increase in authorized shares by Supplementary Letters Patent....	12,500		
Arising on conversion of 1,628 Class A shares.....	81.4	81.4	16
Issued on exercise of warrants.....		14.4	3
Issued on exercise of options.....		7,500	30,000
	22,679.4	9,293.8	\$ 30,359

The Class B shares are entitled to receive non-cumulative dividends of 24 cents per share annually before any dividends may be declared and paid on the common shares. After dividends aggregating 24 cents per share on the common shares have been paid or set aside for payment, all further dividends for a fiscal year shall be declared and paid equally share for share on all outstanding Class B shares and common shares. Holders of Class B shares are entitled to one vote per share and holders of common shares are entitled to 25 votes per share at all meetings of shareholders of the Company.

The Company had reserved as at April 30, 1964, after giving effect to the Share Purchase Warrants to accompany the 6½% Sinking Fund Secured Notes Series I, 156,200 Class B shares and 6,092 common shares for the following:

	<i>Class B</i>	<i>Common</i>
Class B shares issuable under option agreements to three directors and one employee at prices from \$4.00 to \$9.50 per share over varying periods up to 1970.....	17,000	
Common shares issuable under option agreements to a director exercisable at prices from \$4.00 to \$8.00 per share over varying periods up to 1969.....		5,000
Class B shares issuable under share purchase warrants at prices from \$4.25 to \$11.50 per share over varying periods up to 1970.....	139,200	
Common shares issuable along with Class B shares under options and warrants outstanding at time of reclassification and subdivision of the Company's share capital as at December 6, 1963:		
Option agreements.....		150
Share purchase warrants.....		942
	156,200	6,092

5. INCOME TAXES:

The provision for income taxes for the year ended April 30, 1964 has been reduced by approximately \$18,250 principally by claiming as deductions for tax purposes certain expenses which are deferred in the accounts and amortized over a period of years. For the year ended April 30, 1963, the provision for income taxes represents the amount otherwise payable before any such reduction.

6. CONTINGENT COMMITMENT:

The Company proposes to subscribe for a possible total of 25% of the capital stock of Federal Savings & Loan Corporation, to be incorporated under The Loan and Trust Corporations Act of Ontario, at a total cost of up to \$550,000. Federal Savings & Loan Corporation will provide funds for first mortgage loans up to 66⅔% of the appraised value of real estate.

STATUTORY INFORMATION

1. The full name of the Company is Security Capital Corporation Limited (herein called the "Company") and the address of the head office of the Company is 25 Adelaide Street West, Toronto, Ontario.

2. The Company was incorporated under the laws of the Province of Ontario by letters patent dated the 26th day of April, 1962. Supplementary Letters Patent have been issued to the Company dated December 14, 1963 as amended by Supplementary Letters Patent dated January 7th, 1964, reclassifying the 6% cumulative convertible redeemable preference shares with a par value of \$20 each as Class A shares and reclassifying and subdividing the common shares without par value in the capital of the Company on the basis of one (1) Class B share and one one-hundredth (1/100) of a new common share for each common share issued and outstanding on December 6, 1963 and each then unissued common share and increasing the capital by the creation of an additional 1,000,000 Class B shares and 12,500 common shares.

3. The full names, present occupations and home addresses of the directors and officers of the Company are as follows:

Directors

GORDON ROSS PEARSON BONGARD.....	Stock Broker.....	29 Old Forest Hill Road, Toronto, Ontario.
ROBERT EDWARD LIPTROTT.....	Security Salesman.....	9 Maclellan Avenue, Toronto, Ontario.
JAMES HYDE MORLOCK.....	Solicitor.....	1 Douglas Crescent, Toronto, Ontario.
OSCAR RECHTSHAFFEN.....	Executive.....	21 Mayfair Avenue, Toronto, Ontario.
HERBERT YOUNG.....	Executive.....	3767 Victoria Blvd., Windsor, Ontario.

Officers

OSCAR RECHTSHAFFEN.....	President.....	21 Mayfair Avenue, Toronto, Ontario.
JAMES HYDE MORLOCK.....	Secretary-Treasurer.....	1 Douglas Crescent, Toronto, Ontario.

4. The name and address of the auditor is Price Waterhouse & Co., Chartered Accountants, 55 Yonge Street, Toronto, Ontario.

5. The general nature of the business transacted by the Company and its wholly-owned subsidiary, Security Capital Corporation (Ontario) Limited (herein sometimes called the "subsidiary") a company incorporated under the laws of the Province of Ontario by letters patent dated the 26th day of April, 1962, is to lend and invest money, purchase or otherwise acquire mortgages and other obligations secured on real property. The subsidiary also provides short term funds for new construction and developments.

6. National Trust Company, Limited, at its principal offices at Toronto and Calgary, Canada, is the registrar and transfer agent for the common shares and Class A shares, and is the registrar and transfer agent for the Class B shares at its principal offices at Toronto, Montreal and Calgary, Canada.

Eastern & Chartered Trust Company is the Trustee for the 6¾% Sinking Fund Debentures Series A (herein sometimes called "Series A Debentures") and registers upon which such Series A Debentures may be registered as to principal or fully registered and upon which transfers of such Debentures so registered shall be recorded are kept at the principal office of the Trustee at Toronto and Montreal, Canada, and at the principal office of National Trust Company, Limited at Calgary, Canada.

Eastern & Chartered Trust Company is the Trustee for the 6¾% Sinking Fund Subordinated Debentures 1963 Series (herein sometimes called "1963 Series Subordinated Debentures") and registers upon which such 1963 Series Subordinated Debentures may be registered as to principal or fully registered and upon which transfers of such Subordinated Debentures so registered shall be recorded are kept at the principal office of the Trustee at Toronto and Montreal, Canada, and at the principal office of National Trust Company, Limited at Calgary, Canada.

National Trust Company, Limited will be the Trustee of 6½% Sinking Fund Secured Notes Series I (herein sometimes called "Series I Notes") and registers upon which Series I Notes may be registered as to principal or fully registered and upon which transfers of such Notes so registered shall be recorded will be kept at the principal office of the Trustee at Toronto, Montreal and Calgary, Canada.

National Trust Company, Limited will be the Trustee for the Short Term Secured Notes (herein sometimes called "Short Term Notes") and registers upon which Short Term Notes may be fully registered and upon which transfers of such Notes so registered shall be recorded will be kept at the principal office of the Trustee at Toronto, Canada.

7. The authorized share capital of the Company consists of 11,076 6% cumulative convertible redeemable Class A shares with a par value of \$20 each (herein sometimes called "Class A Shares"), 2,019,990 non-cumulative participating Class B shares without par value (herein sometimes called "Class B shares") and 22,699 common shares without par value (herein sometimes called "common shares"). All of the Class A shares have been issued at par and are fully paid, 181,510 Class B shares have been issued and are fully paid and 9,315 common shares have been issued and are fully paid.

8. No shares are being offered by this Prospectus. A description of the respective voting rights, preferences, conversion and exchange rights, rights to dividends, profits or capital, including redemption rights, and rights on liquidation or distribution of capital assets of the Class A shares, Class B shares and common shares is as follows:

Class A Shares

- (1) The registered holders (hereinafter called the "holders") of the Class A shares shall be entitled to receive, and the Company shall pay thereon as and when declared by the board of directors out of the moneys of the Company properly applicable to the payment of dividends, fixed, cumulative, preferential, cash dividends at the rate of six per cent (6%) per annum and no more on the amount paid-up thereon, payable half-yearly on the thirtieth days of September and March in each year; such dividends shall accrue from September 30th, 1962 in the case of shares issued prior to such date and, in the case of later issue, from such date or dates, not later than six (6) months after the respective date of issue, as may be determined by the board of directors of the Company; cheques of the Company payable at par at any branch of the Company's bankers for the time being in Canada (far northern branches excepted) shall be issued in respect of such dividends; if, on any dividend payment date, the dividend payable on such date is not paid in full on all of the Class A shares then issued and outstanding, such dividend or the unpaid part thereof shall be paid on a subsequent date or dates, determined by the board of directors of the Company, on which the Company shall have sufficient moneys properly applicable to the payment of the same; the holders of the Class A shares shall not be entitled to any dividends other than or in excess of the cash dividends hereinbefore provided for;
- (2) In the event of involuntary liquidation, dissolution or winding up of the Company or any other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs, the holders of the Class A shares shall be entitled to receive out of the property and assets of the Company, before any distribution is made to the holders of the common shares or shares of any other class ranking junior to the Class A shares of the Company, the amount paid up on each Class A share held, together with all accrued and unpaid preferential dividends (which for such purposes shall be calculated as if such dividends were accruing for the period from the expiration of the last half-yearly period for which dividends have been paid, up to the date of distribution) and if such liquidation, dissolution, winding up or distribution be voluntary, an additional amount equal to the premium which would be payable as part of the redemption price of the Class A shares if such shares were redeemed under the provisions of clause (5) hereof at the time of payment under the provisions of this clause (2) before any amount shall be paid or any property or assets of the Company distributed to the holders of any common shares or shares of any other class ranking junior to the Class A shares; after payment to the holders of the Class A shares of the amount so payable to them, they shall not be entitled to share in any further distribution of the property or assets of the Company;
- (3) No dividends shall at any time be declared or paid on or set apart for payment on the common shares of the Company or shares of any other class ranking junior to the Class A shares unless all dividends, up to and including the dividend payable for the last completed half-year, on the Class A shares then issued and outstanding shall have been declared and paid or set apart for payment at the date of such declaration or payment or setting apart for payment on the common shares of the Company or any other class of shares ranking junior to the Class A shares, nor shall the Company call for redemption or purchase for cancellation or reduce or otherwise pay off any of the Class A shares (less than the total amount then outstanding) or any common shares of the Company or any other class of shares ranking junior to the Class A shares unless all dividends up to and including the dividend payable for the last completed half-year on the Class A shares then issued and outstanding shall have been declared and paid or set apart for payment at the date of such call for redemption, purchase, reduction or other payment off;
- (4) Subject to the provisions of clause (3) hereof, the Company may at any time or times purchase (if obtainable) for cancellation all or any of the Class A shares outstanding, from time to time, in the market (including purchase through or from an investment dealer or firm holding membership on a recognized stock exchange) or by invitation for tenders addressed to all the holders of record of the Class A shares outstanding at the lowest price or prices at which, in the opinion of the board of directors, such shares are obtainable but not exceeding the price at which, at the date of purchase, such shares are redeemable as provided in clause (5) hereof (including accrued and unpaid preferential dividends as provided in the said clause (5)) plus costs of purchase; if, upon any invitation for tenders under the provisions of this clause (4), the Company shall receive tenders of Class A shares at the same lowest price which the Company may be willing to pay in an aggregate number greater than the number which the Company is prepared to accept tenders, the Class A shares so tendered which the Company determines to purchase at such price shall be purchased as nearly as may be pro rata, disregarding fractions, according to the number of Class A shares so tendered by each of the holders of Class A shares;
- (5) Upon giving notice as hereinafter provided, the Company may, subject to the provisions of clause (3) hereof, redeem at any time the whole, or from time to time any part of the then outstanding Class A shares on payment for each such share to be redeemed of the amount paid up on such Class A share, together with a premium of ten per cent (10%) thereof if redeemed on or before March 30th, 1965; a premium of seven and one-half per cent (7½%) thereof if redeemed thereafter and on or before March 30th, 1966; a premium of five per cent (5%) thereof if redeemed at any time thereafter, in each case together with all accrued and unpaid preferential dividends which for such purpose shall be calculated as if the dividends on the Class A shares were accruing for the period from the expiration of the last half-year period for which such dividends have been paid up to the date fixed for redemption;
- (6) In any case of redemption of Class A shares under the provisions of clause (5) hereof, the Company shall, at least thirty (30) days before the date fixed for redemption, mail to each person, who at the date of mailing is a holder of Class A shares to be redeemed, a notice in writing of the intention of the Company to redeem such Class A shares; such notice shall be mailed in a prepaid letter addressed to each such holder at his address as it appears on the books of the Company or, in the event of the address of any such holder not so appearing, then to the last known address of such holder; provided, however, that accidental failure or omission to give any such notice as aforesaid to one (1) or more of such holders shall not affect the validity of such redemption; such notice shall set out the redemption price and the date on which the redemption is to take place and if part only of the Class A shares held by the person to whom it is addressed is to be redeemed, the number thereof so to be redeemed; on or after the date so specified for redemption, the Company shall pay or cause to be paid to such holders of such Class A shares to be redeemed the redemption price on presentation and surrender at the head office of the Company or any other place within Canada designated in such notice of the certificate or certificates representing the Class A shares so called for redemption; such payment

shall be made by cheque payable at par at any branch of the Company's bankers for the time being in Canada (far northern branches excepted); if a part only of the Class A shares represented by any certificate shall be redeemed, a new certificate for the balance shall be issued at the expense of the Company; from and after the date fixed for redemption in any such notice, the Class A shares called for redemption shall cease to be entitled to dividends and the holders thereof shall not be entitled to exercise any of the rights of shareholders in respect thereof unless payment of the redemption price shall not be made upon presentation of certificates in accordance with the foregoing provisions, in which case the rights of the holders shall remain unaffected; the Company shall have the right at any time after the mailing of the notice of its intention to redeem any Class A shares as aforesaid, to deposit the redemption price of the Class A shares so called for redemption or of such of the said shares represented by certificates as have not at the date of such deposit been surrendered by the holders thereof in connection with such redemption to the credit of a special account in any chartered bank or with any trust company in Canada named in such notice of redemption, to be paid, without interest, to or to the order of the respective holders of such Class A shares called for redemption upon presentation and surrender to such bank or trust company of the certificates representing the same and upon such deposit being made or upon the date fixed for redemption in such notice of redemption, whichever is the later, the Class A shares in respect whereof such deposit shall have been made shall be redeemed and the rights of the holders thereof after such deposit or such redemption date, as the case may be, shall be limited to receiving without interest their proportionate part of the total redemption price so deposited against presentation and surrender of the said certificates held by them respectively; any interest allowed on any such deposit shall belong to the Company as shall any amount so deposited with respect to Class A shares called for redemption as aforesaid, which shares are converted in accordance with the provisions of clause (7) hereof;

- (7) (a) The holders of Class A shares shall have the right at any time up to the close of business on the 30th day of March, 1967 (subject as hereinafter provided) to convert fully paid Class A shares into fully paid and non-assessable common shares without par value of the Company (as the same shall be constituted at the time of conversion in accordance with sub-clause (f) hereof) on the following bases:
- (i) five (5) common shares for each Class A share converted (as a result of the reclassification and subdivision to which reference is hereby made to Clause (2) such conversion rights relate to five (5) Class B shares and five one-hundredths (5/100) of a common share for each Class A share converted) at any time up to the close of business on the 30th day of March, 1965; and
 - (ii) thereafter, four (4) common shares for each Class A share converted (as a result of the reclassification and subdivision to which reference is hereby made to Clause 2 such conversion rights relate to four (4) Class B shares and four one-hundredths (4/100) of a common share for each Class A share converted) at any time up to the close of business on the 30th day of March, 1967.

Notwithstanding anything herein contained, the holders of Class A shares called for redemption shall be entitled to convert such shares as provided in this clause (7) up to the close of business on the business day fixed for redemption but not thereafter; provided, however, if the Company shall fail to redeem such Class A shares in accordance with the notice of redemption, the conversion privilege herein provided shall thereupon be restored;

- (b) The conversion privilege herein provided for may be exercised by notice in writing given to any transfer agent of the Company for the Class A shares, accompanied by the certificate or certificates representing Class A shares in respect of which the holder thereof desires to exercise such right of conversion; such notice shall be signed by such holder or his agent and shall specify the number of Class A shares to be converted; is less than all the Class A shares represented by any certificate or certificates accompanying any such notice are to be converted, the holder shall be entitled to receive, at the expense of the Company, a new certificate representing the Class A shares comprised in the certificate or certificates surrendered as aforesaid which are not to be converted;
- (c) Subject to the provisions of sub-clause (f) hereof, upon the conversion of any Class A shares there shall be no payment or adjustment by the Company or by any holder of Class A shares on account of any dividends either on the Class A shares so converted or on the common shares resulting from such conversion;
- (d) On any conversion of Class A shares the share certificates for common shares of the Company resulting therefrom shall be issued in the name of the registered holder of the Class A shares converted, or in such name or names as such registered holder may direct in writing (either in the notice referred to in sub-clause (b) hereof or otherwise), provided that such registered holder shall pay any applicable security transfer taxes;
- (e) Subject as hereinafter in this sub-clause (e) provided, the right of a holder of Class A shares to convert the same into common shares shall be deemed to have been exercised, and the registered holders of Class A shares to be converted (or any person or persons in whose name or names any such registered holder of Class A shares shall have directed certificates for common shares to be issued as provided in sub-clause (d) hereof) shall be deemed to have become holders of common shares of record of the Company for all purposes, on the respective dates of surrender of certificates representing the Class A shares to be converted accompanied by notice in writing as provided in sub-clause (b) hereof, notwithstanding any delay in the delivery of certificates representing the common shares into which such Class A shares have been converted; but should any certificates representing Class A shares be duly surrendered for conversion during a period when the registers of transfers of common shares are closed, the registered holders thereof (or other person or persons as aforesaid) shall be deemed to become holders of common shares of record immediately upon the re-opening of such registers of transfers;
- (f) (i) In the event of any subdivision, decrease, redivision, consolidation and/or change of the common shares of the Company at any time on or before the 30th day of March, 1967, into a greater or lesser number and/or a different class or classes of shares, then the conversion privileges of the holder of any Class A shares exercising the conversion right shall, as a result

thereof and without further act or formality, be appropriately and proportionately adjusted and reference is hereby made to Clause 2;

- (ii) If and when any adjustments in the conversion privilege shall occur as herein in this clause (7) provided, the Company shall forthwith file with each of its transfer agents a certificate signed by either its President or a Vice-President and either its Secretary or an Assistant Secretary setting forth the details of such adjustment; no such transfer agent shall be under a duty to enquire as to the statements contained in any such certificate or the manner in which any computation of the basis of conversion was made, but each such transfer agent may accept such certificate as conclusive evidence of the statements therein contained and shall be fully protected with respect to any and all acts done or actions taken by it in reliance thereof; if any question shall at any time arise with respect to adjustments of the conversion privilege as aforesaid, such question shall be conclusively determined by the auditors of the Company and any such determination shall be binding upon the Company and all transfer agents and all shareholders of the Company;
- (iii) If the holder of any Class A shares shall exercise the conversion right attaching thereto at any time after the payment by the Company of any dividend on the common shares payable in shares of the Company or a dividend on the common shares payable at the option of the holders thereof either in shares of the Company or in cash, such holder shall be entitled to, in addition to the number of common shares which he would have been entitled to on the exercise of such right of conversion of such Class A shares if such dividend had not been paid, such additional number of shares as would have been payable on the common shares which would have resulted from the exercise of such right of conversion if they had been outstanding on the record date for payment of such dividend;
- (iv) If the Company proposes to issue subscription warrants, or other rights, to the holders of its common shares generally to purchase shares of the Company, the Company shall so notify each registered holder of Class A shares by written notice given (in the manner provided in clause (6) hereof for the giving of notice of redemption) at least ten (10) days prior to the date fixed by the Company as the record date in connection with the issue of such subscription warrants or other rights to purchase shares;
- (v) Subject to the provisions of clause (3) hereof, if the Company shall declare a dividend or dividends on the common shares while Class A shares are outstanding, the record date for any common share dividend payment shall not be less than fourteen (14) days after the declaration of such dividend and the register of transfers of common shares shall not be closed during such fourteen (14) day period;
- (g) The Company shall not issue fractional shares upon any conversion but in lieu thereof the Company shall issue bearer non-voting and non-dividend-bearing fractional certificates in a form approved by the board of directors of the Company; holders shall be entitled to consolidate such fractional certificates into certificates for whole shares at a place designated by the board of directors;
- (h) All shares resulting from any conversion of Class A shares into common shares (including whole shares resulting from the consolidation by the Company of fractions of shares which result from conversion) shall be deemed to be fully paid and non-assessable; nothing herein contained shall affect or restrict the right of the Company to increase the number of its common shares without par value in accordance with the provisions of The Corporations Act and to issue such shares from time to time;
- (8) No holder of Class A shares shall be entitled as of right to subscribe for or purchase or receive any shares, bonds, debentures or other securities of the Company whether now or hereafter authorized except as provided in clause (7) hereof;
- (9) The Company shall not, without the prior authorization of the holders of Class A shares given as hereinafter specified:
 - (a) issue any Class A shares by way of a stock dividend; or
 - (b) pay off or return any capital paid upon any of its common shares or on any shares into which any of its common shares may be converted or changed;
- (10) The holders of the Class A shares shall not be entitled as such (except as herein specifically provided) to receive notice of or to attend any meeting of the shareholders of the Company or to vote at any such meeting (but shall be entitled to receive notice of meetings of shareholders of the Company called for the purpose of authorizing the dissolution of the Company or the sale of its undertaking or a substantial part thereof) until such time as dividends on the Class A shares are in arrears (whether or not such dividends are declared and whether or not there are any moneys of the Company properly applicable to the payment of dividends) in an aggregate amount equal to three (3) half-yearly dividends thereon; whereupon so long as any dividends on the Class A shares remain in arrears the holders of the Class A shares shall be entitled to receive notice of and to attend all meetings of shareholders of the Company and shall be entitled to one (1) vote in respect of each Class A share held and voting separately and as a class, to elect two (2) directors of the Company if the board consists of five (5) or less directors, three (3) directors if the board consists of more than five (5) but less than eight (8) directors or, if the total number of directors exceeds seven (7) to elect one-half ($\frac{1}{2}$) of the total number of directors, but if the total number of directors be not divisible by two (2) then the next highest whole number below one-half ($\frac{1}{2}$); nothing herein contained shall be deemed to limit the right of the Company from time to time to increase or decrease the number of directors; and
- (11) The authorization for an application for supplementary letters patent required by subsection (4) of section 33 of The Corporations Act to delete or vary any preference, right, condition, restriction, limitation or prohibition attaching to the Class A shares or to create Class A shares ranking in any respect in priority to or on a parity with the Class A shares may be given by at least two-thirds ($\frac{2}{3}$) of the votes cast at a meeting of the holders of the Class A shares duly called for that purpose and held upon at least fifteen (15) days' notice at which the holders of at least a majority of the outstanding Class A shares are present or represented by proxy and carried by the affirmative vote of the holders of at least two-thirds ($\frac{2}{3}$) of the Class A shares represented and voted at such meeting; if at any such meeting the holders of a majority of the outstanding Class A shares are not present or

represented by proxy within one-half ($\frac{1}{2}$) an hour after the time appointed for such meeting, then the meeting shall be adjourned to such date being not less than twelve (12) days later and to such time and place as may be appointed by the Chairman and at least ten (10) days' notice shall be given of such adjourned meeting; at such adjourned meeting the holders of Class A shares present or represented by proxy may transact the business for which the meeting was originally called and a resolution passed thereat by at least two-thirds ($\frac{2}{3}$) of the votes cast at such adjourned meeting shall constitute the approval of the holders of Class A shares referred to above; the formalities to be observed in respect of the giving of notice of any such meeting or adjourned meeting and the conduct thereof shall be those from time to time prescribed by the by-laws of the Company with respect to meetings of shareholders; at every such meeting or adjourned meeting the holders of Class A shares shall be entitled to one (1) vote in respect of each Class A share held.

Class B and Common Shares

- (1) the holders of the Class B shares shall be entitled to receive in each fiscal year of the Company, as and when declared by the board of directors of the Company out of moneys of the Company properly applicable to the payment of dividends, non-cumulative dividends in preference, as hereinafter provided, to the payment of dividends in such fiscal year to the holders of common shares;
- (2) no dividend shall be declared or paid or set apart for payment on the common shares in any fiscal year unless or until dividends aggregating twenty-four cents (24¢) per share for such fiscal year shall have been declared and paid or set apart for payment on the Class B shares issued and outstanding at the commencement of such fiscal year;
- (3) if in any fiscal year of the Company the board of directors of the Company shall not declare dividends aggregating twenty-four cents (24¢) per share on any Class B shares then the rights of the holders of Class B shares to receive any dividend for such fiscal year other than the dividend or dividends actually declared shall be forever extinguished;
- (4) whenever in any fiscal year of the Company dividends aggregating twenty-four cents (24¢) per share shall have been declared and paid or set apart for payment on the Class B shares which were issued and outstanding at the commencement of such fiscal year then dividends aggregating twenty-four cents (24¢) per share may be declared and paid or set apart for payment on the common shares then issued and outstanding;
- (5) after dividends aggregating twenty-four cents (24¢) per share shall have been declared and paid or set apart for payment in any fiscal year on issued and outstanding common shares under clause (4) above, all further dividends for such fiscal year shall be declared and paid, subject to clause (8) below, equally share for share on all outstanding Class B shares and common shares without preference or distinction;
- (6) cheques of the Company payable at par at any branch of the Company's bankers for the time being in Canada (far northern branches excepted) shall be issued in respect of cash dividends;
- (7) dividends shall be paid to all holders of Class B shares and common shares of record on such date preceding the date fixed for payment as may be determined by the board of directors of the Company;
- (8) all stock dividends shall be declared and paid equally share for share, as to surplus capitalized, to holders of Class B shares and common shares; no stock dividend shall be declared payable only in Class B shares or only in common shares but a stock dividend of Class B shares and common shares may be declared if payable in Class B shares to holders of Class B shares and in common shares to holders of common shares;
- (9) in the event of the liquidation, dissolution or winding up of the Company or other distribution of assets of the Company among shareholders for the purpose of winding up its affairs, all property and assets of the Company available for distribution to the holders of Class B shares and common shares shall be paid and distributed equally share for share to the holders of the Class B shares and common shares without preference or distinction;
- (10) Class B shares shall entitle the holders thereof to one (1) vote in respect of each Class B share held at all meetings of shareholders of the Company and common shares shall entitle the holders thereof to twenty-five (25) votes in respect of each common share held at all meetings of shareholders of the Company;
- (11) neither the holders of Class B shares nor the holders of common shares shall be entitled, as of right, to subscribe for or purchase or receive any part of any issue of shares or of bonds, debentures or other securities of the Company now or hereafter authorized;
- (12) no Class B shares and no common shares shall be subdivided or consolidated unless at the same time the shares of the other class are also subdivided or consolidated, as the case may be, on the same basis share for share or unless (in addition to any vote or authorization required by The Corporations Act) authorized by the holders of each class of shares voting separately as a class and in the same manner as hereinafter specified in clause (13) below; and
- (13) the authorization required by subsection 4 of section 33 of The Corporations Act to delete or vary any preference, right, condition, restriction or limitation attaching to the Class B shares or to create preference shares ranking in any respect in priority to or on a parity with the Class B shares may be given by at least two-thirds ($\frac{2}{3}$) of the votes cast at a meeting of the holders of the Class B shares duly called for that purpose and held upon at least fifteen (15) days' notice at which the holders of at least a majority of the outstanding Class B shares are present or represented by proxy; if at any such meeting the holders of a majority of the outstanding Class B shares are not present or represented by proxy within one-half ($\frac{1}{2}$) an hour after the time appointed for such meeting, then the meeting shall be adjourned to such date, being not less than twelve (12) days later and to such time and place as may be appointed by the chairman and at least ten (10) days' notice shall be given of such adjourned meeting; at such adjourned meeting the holders of Class B shares present or represented by proxy may transact the business for which the meeting was originally called and a resolution passed thereat by at least two-thirds ($\frac{2}{3}$) of the votes cast at such adjourned meeting shall constitute the approval of the holders of Class B shares referred to above; the formalities to be observed

in respect of the giving of notice of any such meeting or adjourned meeting and the conduct thereof shall be those from time to time prescribed by the by-laws of the Company with respect to meetings of shareholders.

9. There are being offered by this Prospectus \$1,500,000 principal amount of 6½% Sinking Fund Secured Notes Series I, to be dated June 22, 1964 and to mature June 15, 1979, particulars of which are set forth on the face page and pages 8 and 9 of this Prospectus to which reference is hereby made. The Series I Notes will be issued under and secured by a trust indenture to be made between the Company and National Trust Company, Limited, as Trustee to be dated as of June 22, 1964. Such trust indenture will provide for the issuance of Short Term Notes, with terms varying from demand to three (3) years, which will be issued in connection with short term financing from its bankers and other lenders, and further Notes in series, without limitation as to the aggregate principal amount but subject to the restrictions and conditions therein provided. All Secured Notes (including Short Term Notes) issued from time to time, will rank *pari passu* and will be secured equally and rateably as set forth in Clause 24 hereof to which reference is hereby made.

The Company has outstanding \$570,000 principal amount of 6¾% Sinking Fund Debentures Series A, dated February 1, 1963 and maturing February 1, 1978, under and pursuant to a trust agreement dated as of February 1, 1963, between the Company and Chartered Trust Company, as Trustee, which provides for the issuance of Debentures in series thereunder without limitation as to aggregate principal amount but subject to the restrictions and conditions therein provided. All Debentures issued under the said trust agreement will rank *pari passu*. The Series A Debentures are, in the opinion of Counsel, direct obligations of the Company but are not secured by any mortgage, hypothec or other charge. Such Series A Debentures are currently redeemable otherwise than out of sinking fund at the principal amount plus accrued and unpaid interest and a premium of 4.75% which premium declines progressively in each year so that if redeemed after January 31, 1977, the redemption price shall be the principal amount plus accrued and unpaid interest to the date of redemption.

The Company has outstanding \$600,000 principal amount of 6¾% Sinking Fund Subordinated Debentures 1963 Series, dated June 25, 1963 and maturing June 30, 1978, under and pursuant to a trust agreement dated as of June 25, 1963, between the Company and Chartered Trust Company, as Trustee, which provides for the issuance of Subordinated Debentures in series thereunder without limitation as to aggregate principal amount but subject to the restrictions and conditions therein contained. All Subordinated Debentures issued under the said trust agreement will rank *pari passu*. The 1963 Series Subordinated Debentures are, in the opinion of Counsel, direct obligations of the Company but are not secured by any mortgage, hypothec or other charge. Such Subordinated Debentures are currently redeemable otherwise than out of sinking fund at the principal amount plus accrued and unpaid interest and a premium of 6%, which premium declines progressively in each year so that if redeemed after June 29, 1977, the redemption price shall be the principal amount plus accrued and unpaid interest to the date of redemption.

The Series I Notes and Short Term Notes will be Senior Debt and rank in priority of payment to Junior Debt and Subordinated Indebtedness of the Company now or hereafter created and issued. Currently the Senior Debt of the Company consists of bank loans and other current accounts payable of the Company as of the date of this Prospectus which are not subordinated to other debt of the Company. Junior Debt of the Company consists of the outstanding Series A Debentures which rank in priority of payment of Subordinated Indebtedness which consists of the outstanding 1963 Series Subordinated Debentures. All debt of the Company will rank in priority of payment of the Class A and Class B shares and common shares of the Company. The terms Senior Debt, Junior Debt and Subordinated Indebtedness will be defined in the trust indenture relating to the Series I Notes and Short Term Notes as set forth on pages 6 and 7 of this Prospectus to which reference is hereby made. Except as set forth herein there are no bonds, debentures, securities issued or proposed to be issued which if issued will rank ahead of or *pari passu* with the securities offered other than Class B shares resulting from the exercise of Series C Purchase Warrants and reference in hereby made to Clause 11 (viii).

10. There is no substantial indebtedness presently intended to be created or assumed which is not shown or referred to in the accompanying consolidated balance sheet and pro forma consolidated balance sheet dated as at April 30, 1964, forming part of this Prospectus other than the issue from time to time of Short Term Notes to the Company's bankers and other short term lenders and reference is hereby made to Clause 9 hereof. The amount of Short Term Notes outstanding from time to time will vary in accordance with the Company's requirements. It is not anticipated that the Company will borrow funds to complete the proposed acquisition referred in Clause 29 hereof.

11. No securities of the Company are covered by options outstanding or proposed to be given except as follows:

- (i) by agreement made May 22, 1962, the Company granted an option to Mr. Oscar Rechtshaffen, the President, to purchase, in whole or in part, 10,000 common shares, such option being non-assignable and exercisable on or before March 20th, 1965, at \$4 per share and thereafter and on or before March 30th, 1967 at \$5 per share, and reference is hereby made to Clause 11 (ii) hereof. This option has been exercised with respect to 7,500 common shares as reclassified;
- (ii) by agreements made as of February 1, 1963, as amended, and as of June 25, 1963, respectively, the Company granted further options to Mr. Rechtshaffen to purchase, in whole or in part, a total of 10,000 common shares, such options being non-assignable and exercisable only during his term of employment with the Company subject to certain exceptions set out in the agreements relating thereto. Such options are exercisable at the same prices and on or before the same dates as set forth in Clause 11 (vi) hereof to which reference is hereby made. By resolution of the shareholders passed at a general meeting of shareholders such options and the option referred to in Clause 11 (i) were amended to provide that upon the issuance of Supplementary Letters Patent, to which reference is hereby made to Clause 2 hereof, the option referred to in Clause 11 (i) would relate to common shares as reclassified and the options referred to in this Clause 11 (ii) would, as to 2,500 shares relate to common shares as reclassified and the balance, namely 7,500 shares, would be reclassified and sub-divided as provided in the said Supplementary Letters Patent;
- (iii) by agreement made May 22, 1962, the Company granted an option to Mr. Robert Edward Liptrott, the then Treasurer, to purchase, in whole or in part, 5,000 common shares, such option being non-assignable and exercisable on or before March 30th, 1965, at \$4 per share and thereafter and on or before March 30, 1967, at \$5 per share. By virtue of the reclassification and subdivision of common shares to which reference is hereby made to Clause 2 the shares under option have been adjusted accordingly;

- (iv) by agreement made as of June 25, 1963, the Company granted an option to Mr. G. R. P. Bongard, a director, to purchase, in whole or in part, 2,500 common shares, such option being non-assignable and exercisable at the same prices and on or before the same dates as set forth in Clause 11 (vii) hereof to which reference is hereby made. By virtue of the reclassification and subdivision of common shares to which reference is hereby made to Clause 2 the shares under option have been adjusted accordingly;
- (v) by agreement made as of January 18th, 1964, the Company granted an option to Mr. C. Ellioff, an employee of the Company, to purchase, in whole or in part, 2,000 Class B shares, such option being non-assignable and exercisable only during his term of employment by the Company, subject to certain exceptions as stated therein, at \$5.50 per share if purchased on or before June 1, 1966, thereafter at \$7.50 per share if purchased on or before June 1, 1968 and thereafter at \$9.50 per share if purchased on or before June 1, 1970;
- (vi) there were attached to the Series A Debentures, when originally issued in definitive form, Common Share Purchase Warrants Series A (herein sometimes called "Series A Purchase Warrants") in bearer form, to purchase common shares, as then constituted, at the rate of 80 shares in respect of each \$1,000 principal amount of Series A Debentures at the following prices: \$4.25 per share if purchased prior to the close of business on July 31, 1965; \$6.00 per share if purchased after July 31, 1965, but prior to the close of business on July 31, 1967; and \$8.00 per share if purchased after July 31, 1967, but prior to the close of business on July 31, 1969.

The Series A Purchase Warrants were issued pursuant to an agreement made between the Company and National Trust Company, Limited, as Trustee, dated as of February 1, 1963 and will expire at four o'clock in the afternoon, Toronto time, on July 31, 1969. Such agreement contains provisions, amongst other things, for the appropriate and proportionate adjustment of the rights of holders of Series A Purchase Warrants, in the event of a sub-division, consolidation, stock dividend paid in common shares or other change of common shares into a greater or lesser number and/or a different class or classes of shares. By virtue of the reclassification and subdivision of common shares to which reference is hereby made to Clause 2 the shares reserved for issue upon the exercise of Series A Purchase Warrants have been adjusted accordingly;

- (vii) there were attached to the 1963 Series Subordinated Debentures, when originally issued in definitive form, Common Share Purchase Warrants 1963 Series (herein sometimes called "1963 Series Purchase Warrants") in bearer form, to purchase common shares, as then constituted, at the rate of 80 shares in respect of each \$1,000 principal amount of 1963 Series Subordinated Debentures at the following prices: \$5.25 per share if purchased prior to the close of business on July 31, 1965; \$7.50 per share if purchased after July 31, 1965, but prior to the close of business on July 31, 1967; and \$10.00 per share if purchased after July 31, 1967, but prior to the close of business on July 31, 1969;

The 1963 Series Purchase Warrants were issued pursuant to an agreement made between the Company and National Trust Company, Limited, as Trustee, dated as of June 25, 1963 and will expire at four o'clock in the afternoon, Toronto time, on July 31, 1969. Such agreement contains provisions, amongst other things, for the appropriate and proportionate adjustment of the rights of holders of 1963 Series Purchase Warrants, in the event of a sub-division, consolidation, stock dividend paid in common shares or other change of common shares into a greater or lesser number and/or a different class or classes of shares. By virtue of the reclassification and subdivision of common shares to which reference is hereby made to Clause 2 the shares reserved for issue upon the exercise of 1963 Series Purchase Warrants have been adjusted accordingly; and

- (viii) the Series I Notes, when issued in definitive form, will have attached thereto Class B Share Purchase Warrants Series C (herein sometimes called "Series C Purchase Warrants"), in bearer form, to purchase Class B shares, as presently constituted, at the rate of 30 shares in respect of each \$1,000 principal amount of Series I Notes at the following prices: \$6.75 per share if purchased prior to the close of business on July 31, 1966, but if purchased prior to the close of business on March 31, 1965, the related Series I Note to which the Warrant is attached must be presented (unless previously redeemed); \$9.00 per share if purchased after July 31, 1966, but prior to the close of business on July 31, 1968; and \$11.50 per share if purchased after July 31, 1968 but prior to the close of business on July 31, 1970.

The Series C Purchase Warrants will be issued pursuant to an agreement to be made between the Company and National Trust Company, Limited, as Trustee, to be dated as of June 22, 1964 and will expire at four o'clock in the afternoon, Toronto time, on July 31, 1970. Such agreement will contain provisions, amongst other things, for the appropriate and proportionate adjustment of the rights of holders of Series C Purchase Warrants, in the event of a sub-division, consolidation, stock dividend paid in Class B shares or other change of Class B shares into a greater or lesser number and/or a different class or classes of shares than presently constituted.

The total number of shares covered by options are 5,150 common shares and 17,000 Class B shares and the total number of shares reserved for issue upon the exercise of warrants (including Series C Warrants) are 942 common shares and 139,120 Class B shares.

12. The number of securities offered by this Prospectus and their correct descriptive title and the issue price and the terms thereof are as stated on the face page of this Prospectus to which reference is hereby made.

The Company has not previously offered its securities for subscription within the two preceding years except: (i) pursuant to an agreement dated the 23rd day of May, 1962, the Company issued as fully paid and non-assessable to Bongard & Company, 15,000 preference shares at the par value thereof and 60,000 common shares for a total consideration of \$450,000 and a commission of \$30,000 was paid; (ii) pursuant to an agreement dated the 16th day of January, 1963, the Company sold to Bongard & Company \$600,000 principal amount of Series A Debentures with Series A Purchase Warrants attached for the sum of \$567,000, and reference is hereby made to Clauses 9 and 11 (vi) hereof; and (iii) pursuant to an agreement dated May 31, 1963, the Company sold to Bongard & Company \$600,000 principal amount of 1963 Series Subordinated Debentures with 1963 Series Purchase Warrants attached for the sum of \$567,000, and reference is hereby made to Clauses 9 and 11 (vii) hereof.

13. The estimated net proceeds to be derived by the Company from the sale of the securities offered by this Prospectus on the basis of the same being fully taken up and paid for is \$1,432,500 less legal, auditing and other expenses in connection with the issue estimated not to exceed \$15,000.

14. The net proceeds to be received by the Company from the sale of the securities offered by this Prospectus will be used by the Company to retire present bank loans of approximately \$1,400,000, to acquire additional mortgages and for general corporate purposes.

15. No minimum amount, in the opinion of the directors, must be raised by the issue of the Class B shares which may be purchased upon the exercise of the Series C Purchase Warrants referred to in Clause II (viii) hereof to provide the sums required or the balance of the sums required to pay the purchase price of any property, to pay preliminary expenses or commissions payable in respect of shares in the capital of the Company, to repay moneys borrowed by the Company in respect of the foregoing matters, but part of the proceeds may be used to retire Short Term Notes which may be issued to the Company's bankers and other short term lenders from time to time.

16. Pursuant to and subject to the terms and conditions of an agreement dated June 9, 1964, between the Company and Bongard & Company, the Company agreed to sell and Bongard & Company agreed to purchase \$1,500,000 principal amount of Series I Notes to be accompanied by Series C Purchase Warrants to purchase in the aggregate 45,000 Class B shares upon the terms set out in Clause 11 (viii) hereof, to which reference is hereby made, for the sum of \$1,432,500 plus accrued interest (if any) on such Series I Notes from June 22, 1964 to the date of delivery.

17. The by-laws of the Company provide:

"The remuneration to be paid the directors, as such, shall be such as the Board shall from time to time determine, and shall be divided among the directors in such proportions as the Board may decide, and such remuneration shall be in addition to the salary of any officer of the Company who is also a member of the Board.

The Board may also by resolution award special remuneration out of the funds of the Company to any director undertaking any special work or mission on the Company's behalf other than the routine work ordinarily required of a director of the Company."

18. It is estimated that the aggregate remuneration paid or payable by the Company to its directors as such during the current financial year will not exceed \$2,400. The aggregate remuneration estimated to be paid or payable for the current financial year to officers, as such who individually may be entitled to receive remuneration in excess of \$10,000 is \$18,000.

19. No amount or commission has been paid by the Company within the two preceding years, nor is any payable by the Company for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any shares in or obligations of the Company except as set forth in Clauses 12 and 16 hereof to which reference is hereby made.

20. The Company has been carrying on business for more than one year.

21. & 22. No property has been purchased or acquired by the Company, nor is any proposed to be purchased or acquired, the purchase price of which is to be defrayed in whole or in part out of the proceeds of the securities offered by this Prospectus or has been paid within the last two preceding years or is to be paid in whole or in part in securities of the Company, or the purchase or acquisition of which has not been completed at the date of this Prospectus other than transactions entered into or to be entered into in the ordinary course of operations or on the general credit of the Company.

23. No securities have been issued or agreed to be issued by the Company as fully or partly paid up otherwise than in cash within two years preceding the date hereof. Reference is hereby made to Clause 12 hereof for the consideration for which securities have been issued by the Company within two years preceding the date hereof.

24. The Series I Notes now being offered and the Short Term Notes will, in the opinion of Counsel, be direct obligations of the Company and will be issued under and secured by a trust indenture to be dated as of June 22, 1964, between the Company and National Trust Company, Limited, as Trustee, and all Notes (including Short Term Notes) from time to time outstanding will rank *pari passu* and will be equally and proportionately secured (except as to sinking funds, if any, of Notes of different series) by:

- (a) a first fixed and specific mortgage, pledge, hypothec and charge of and upon all Approved Securities and/or Cash, and/or upon any shares of any Subsidiary owned or controlled by the Company and/or all the right, title, interest and benefit of the Company in, to and under any Loan Agreement with a Consolidated Subsidiary, from time to time deposited as Pledged Collateral;
- (b) an assignment to and in favour of the Trustee of all right, title and interest of the Company in and to all Secured Obligations from time to time deposited as Pledged Collateral; and
- (c) a first floating charge under the laws of the Province of Ontario upon all the undertaking and other property and assets, both present and future, and of whatsoever nature and kind and wheresoever situate, of the Company.

The Company to maintain at all times Approved Collateral (deposited as Pledged Collateral) having an aggregate Value equal to at least 125% of the principal amount of Notes from time to time outstanding. Until the security constituted by the trust indenture shall have become enforceable and the Trustee shall have determined or become bound to enforce the same, the Company or a Consolidated Subsidiary will be entitled to receive, as agent for the Trustee, all monies paid in respect of all Pledged Collateral; provided, however, if at the time of receipt of such monies by the Company or a Consolidated Subsidiary, the Company is not in default and the Value of the Approved Collateral subject to the fixed and specific mortgage, pledge, hypothec and charge of the trust indenture is in excess of the value required by the trust indenture, the monies so received, shall be and be deemed to have been released from the fixed and specific mortgage, pledge, hypothec and charge of the trust indenture. The trust indenture will contain provisions permitting the release of Pledged Collateral subject to the fixed and specific mortgage, pledge, hypothec and charge, provided such release shall not have the effect of reducing the Value of Approved Collateral below the value required to comply with the provisions of the trust indenture and the Company is not then in default.

25. Except for the legal, audit and other expenses referred to in Clause 13 hereof and except for services rendered or to be rendered in the ordinary course of business, no services rendered or to be rendered to the Company are to be paid for by the Company wholly or partly out of the proceeds of securities offered by this Prospectus and no services have been within the two years preceding the date hereof or are to be paid for by securities of the Company.

26. No amount has been paid or is intended to be paid to any promoter.

27. The Company has not entered into any material contracts within the two preceding years other than contracts entered into in the ordinary course of business, except the agreements referred to in Clauses 6, 9, 11, 12 and 16 hereof.

Copies of the foregoing may be inspected at the offices of the Company, 25 Adelaide Street West, Toronto 1, Ontario, during ordinary business hours during the period of primary distribution to the public of the securities hereby offered.

28. The Company has not acquired within the two years preceding the date hereof, nor does it propose to acquire any property in which any director of the Company is interested, nor has the Company paid or agreed to pay any director any sums either in cash or securities or otherwise to induce him to become or to qualify him as a director or otherwise for services rendered by him in connection with the promotion or formation of the Company, except: (i) a mortgage which the Company purchased from Mr. Oscar Rechtshaffen, the President and a director of the Company for \$28,312.62 to yield to the Company an amount in excess of 12% per annum on security not exceeding 66⅔% of the last sale price of the property; and (ii) the option to Mr. G. R. P. Bongard, referred to in Clause 11 (iv) hereof to which reference is hereby made, for his efforts in arranging bank borrowings for the Company.

29. The business of the Company has been carried on since April 26th, 1962 and the Company has caused to be incorporated and is the beneficial owner of 500 common shares without par value in the capital of Security Capital Corporation (Ontario) Limited, being all the issued and outstanding shares of that Company which it acquired at a cost of \$1 per share. Its business has been carried on since April 26th, 1962. The Company proposes to subscribe for a possible total of 50,000 shares of the par value of \$10 each in the capital stock of Federal Savings & Loan Corporation (herein called the "Corporation") a corporation to be incorporated under the provisions of The Loan and Trust Corporations Act (Ontario), for an amount not exceeding \$550,000. The ownership of such total if purchased will constitute the Company the largest single shareholder of the Corporation holding 25% of the proposed outstanding capital stock and Messrs. G. R. P. Bongard, Oscar Rechtshaffen and J. H. Morlock (directors of the Company) are directors of the Corporation. None of the proceeds of this issue will be used for the purpose of investment in the Corporation.

30. No person or persons by reason of beneficial ownership of securities of the Company or any agreement in writing, is in a position to, or entitled to, elect or cause to be elected a majority of the directors of the Company except Mr. Oscar Rechtshaffen, the President and a director, together with Bongard & Company, 25 Adelaide Street West, Toronto.

31. No securities of the Company are held in escrow.

32. Since the date of incorporation, to which reference is hereby made to Clause 2, cumulative preferential dividends of 6% have been paid regularly on the outstanding Class A shares with a par value of \$20 each in the capital of the Company.

The Class B shares entitling the holders thereof to a non-cumulative dividend of 24¢ per share in each fiscal year of the Company have only been outstanding since December 6, 1963 and since that date, two quarterly, non-cumulative, dividends of 6¢ per share have been paid; prior to that date a dividend on the common shares was paid at the rate of 5¢ per share on September 30, 1963.

33. No amount of the consideration received for the issue of any shares of the Company has been set aside as distributable surplus.

34. There are no other material facts not disclosed in the foregoing.

Dated: June 9, 1964.

The foregoing constitutes full, true and plain disclosure of all material facts in respect of the offering of securities referred to above as required by Section 39 of The Securities Act (Ontario), by Part IX of The Securities Act, 1955 (Alberta), by the Securities Act of British Columbia and under the Quebec Securities Act, and there is no further material information applicable other than in the financial statements or reports where required or exigible.

Directors

(Signed) OSCAR RECHTSHAFFEN

(Signed) JAMES H. MORLOCK

(Signed) GORDON R. P. BONGARD

(Signed) HERBERT YOUNG

by his Attorney JAMES H. MORLOCK

(Signed) ROBERT E. LIPTROTT

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts in respect of the offering of securities referred to above as required by Section 39 of The Securities Act (Ontario), by Part IX of The Securities Act, 1955 (Alberta), by the Securities Act of British Columbia and under the Quebec Securities Act, and there is no further material information applicable other than in the financial statements or reports where required or exigible. In respect of matters which are not within our knowledge, we have relied upon the accuracy and adequacy of the foregoing.

Underwriter

BONGARD & COMPANY

by: (Signed) GORDON R. BONGARD

The following are the names of every person having an interest, either directly or indirectly, to the extent of not less than 5% in the capital of Bongard & Company: S. K. Bongard, G. R. Bongard, F. W. Graham, M. D. McCarthy and W. R. Taprell.

The Ontario Securities Commission issued its official receipt dated June 4, 1963 acknowledging receipt of the material required under The Securities Act (Ontario) in reference to the offering of \$600,000 principal amount of 6¾ % Subordinated Sinking Fund Debentures 1963 Series accompanied by 1963 Series Share Purchase Warrants. Official receipt in respect of the same offering were also issued by:

- (a) The Alberta Securities Commission dated June 3, 1963 under Part IX of The Securities Act, 1955 (Alberta);
- (b) The Quebec Securities Commission dated June 3, 1963 under the Quebec Securities Act; and
- (c) The Winnipeg Stock Exchange dated June 5, 1963.

The Ontario Securities Commission issued its official receipt dated June 11, 1964 acknowledging receipt of the material required under The Securities Act (Ontario) in reference to the offering of \$1,500,000 principal amount of 6½ % Sinking Fund Secured Notes Series I accompanied by Class B Share Purchase Warrants Series C. Official receipts in respect of the same offering were also issued by:

- (a) The Alberta Securities Commission dated June 10, 1964 under Part IX of The Securities Act, 1955, (Alberta);
- (b) The Quebec Securities Commission dated June 11, 1964 under the Quebec Securities Act;
- (c) The Winnipeg Stock Exchange dated June 12, 1964; and
- (d) The British Columbia Securities Commission dated June 16, 1964 under the Securities Act of British Columbia.

14. FISCAL YEAR

The fiscal year of the Company and the Subsidiary ends on April 30th, in each year.

15. ANNUAL MEETING

The By-laws of the Company provide that the annual meeting of the shareholders shall be held at the head office of the Company or elsewhere in Ontario as the board of directors may appoint on such day in each year as the board may from time to time determine and as may be specified in the notice of the meeting and, in any event, not more than fifteen months after the holding of the last preceeding annual meeting. The last annual meeting of shareholders of the Company was held on June 25, 1963.

16. HEAD OFFICE AND OTHER OFFICES

The head office is located at 25 Adelaide Street West, Toronto, Canada. The Company has no other offices.

17. TRANSFER AGENT

See Clause 6 of the Statutory Information of the Prospectus.

18. TRANSFER FEE

No fee is charged on stock transfers other than the customary government stock transfer taxes.

19. REGISTRAR

See Clause 6 of the Statutory Information of the Prospectus.

20. AUDITORS

The auditors of the Company are Price Waterhouse & Co.

21. OFFICERS

The officers of the Company are:

NAME	OFFICE	HOME ADDRESS
Oscar Rechtshaffen (Executive)	President	21 Mayfair Avenue, Toronto, Ontario.
James Hyde Morlock (Solicitor)	Secretary-Treasurer	1 Douglas Crescent, Toronto, Ontario.

22. DIRECTORS

The Directors of the Company are:

NAME	OCCUPATION	HOME ADDRESS
Gordon Ross Pearson Bongard	Stock Broker	29 Old Forest Hill Road, Toronto, Ontario.
Robert Edward Liptrott	Security Salesman	9 MacLennan Avenue, Toronto, Ontario.
James Hyde Morlock	Solicitor	1 Douglas Crescent, Toronto, Ontario.
Oscar Rechtshaffen	Executive	21 Mayfair Avenue, Toronto, Ontario.
Herbert Young	Executive	3767 Victoria Boulevard, Windsor, Ontario.

